NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT

$37,230,000*
KNOX COUNTY, TENNESSEE
General Obligation Bonds, Series 2019B

OFFERED FOR SALE NOT SOONER THAN

Monday, September 16, 2019 at 11:30 A.M. E.D.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.

C|S
SINCE 1931
CUMBERLAND SECURITIES
INDEPENDENT FINANCIAL ADVISOR

September 10, 2019

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 10, 2019

NEW ISSUE | Ratings: Moody's – "Aa1"
S&P – "AA+"

BOOK-ENTRY-ONLY | (See "MISCELLANEOUS-Ratings" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

$37,230,000*

KNOX COUNTY, TENNESSEE

General Obligation Bonds, Series 2019B

Dated: Date of delivery (Assume October 10, 2019). Due: June 1, as shown below.

The $37,230,000* General Obligation Bonds, Series 2019B (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2020 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028.

Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**
2021	$ 1,390,000				2031	$ 1,860,000			
2022	1,425,000				2032	1,920,000			
2023	1,470,000				2033	1,975,000			
2024	1,515,000				2034	2,035,000			
2025	1,560,000				2035	2,095,000			
2026	1,605,000				2036	2,155,000			
2027	1,655,000				2037	2,225,000			
2028	1,705,000				2038	2,290,000			
2029	1,755,000				2039	2,360,000			
2030	1,805,000				2040	2,430,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire PRELIMINARY OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Richard Armstrong, Esq., County Law Director. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about October ____, 2019.

Cumberland Securities Company, Inc.
Municipal Advisor

__, 2019

*Preliminary, subject to change.

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

KNOX COUNTY, TENNESSEE

COUNTY OFFICIALS

Glenn Jacobs	*County Mayor*
Chris Caldwell	*Finance Director*
Sherry Witt	*County Clerk*
Richard Armstrong	*County Law Director*
Ed Shouse	*County Trustee*

BOARD OF COUNTY COMMISSIONERS

Brad Anders
Richard Beeler
Justin Biggs
Charles Busler
Michele Carringer
Carson Dailey
Evelyn Gill
Larsen Jay
Hugh Nystrom
John Schoonmaker
Randy Smith

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer	Knox County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.
Securities Offered	$37,230,000* General Obligation Bonds, Series 2019B (the "Bonds") of the County, dated the date of issuance (assume October 10, 2019). The Bonds mature each June 1 beginning June 1, 2021 through June 1, 2040, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.
Security	The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) constructing, improving, repairing, renovating and equipping of courtroom, corrective and detention facilities, schools and other educational facilities, libraries, stormwater drainage facilities, parks and recreation facilities and other public buildings, including any equipment required therefor; (ii) constructing and improving roads, streets, bridges and highways; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (iv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (v) payment of costs incident to the issuance of the bonds.
Optional Redemption	The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028. See the section entitled "SECURITIES OFFERED – Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)
Ratings	Moody's: "Aa1", and S&P: "AA+". See the section entitled "MISCELLANEOUS - Ratings" for more information.
Municipal Advisor	Cumberland Securities Company, Inc. See the section entitled "MISCELLANEOUS-Municipal Advisor; Related parties; Other" herein.
Underwriter	_________________.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.

*Preliminary, subject to change.

Book-Entry Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System"
Registration Agent	Regions Bank, Nashville, Tennessee.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."
Other Information	The information in this *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement,* contact The Honorable Glenn Jacobs, County Mayor, 400 Main Street, County Building Suite 615, Knoxville, Tennessee 37902, (865) 215-2005; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800-850-7422.

GENERAL FUND BALANCES
For the Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
Beginning Fund Balance	$66,265,258	$66,088,523	$69,748,937	$72,281,942	$74,825,034
Revenues	158,864,154	163,215,522	170,308,332	172,559,933	178,479,169
Expenditures	159,138,472	164,225,904	173,510,005	174,035,541	176,008,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,318)	(1,010,382)	(3,201,673)	(1,475,608)	(2,470,880)
Other Financing sources (Uses)	97,583	4,670,796	5,734,678	4,018,700	2,766,267
Adjusted from prior period	-	-	-	-	-
Ending Fund Balance	**$66,088,523**	**$69,748,937**	**$72,281,942**	**$74,825,034**	**$80,062,181**

Source: Comprehensive Annual Financial Reports of the County.

SUMMARY NOTICE OF SALE

$37,230,000*

KNOX COUNTY, TENNESSEE
General Obligation Bonds, Series 2019B

NOTICE IS HEREBY GIVEN that the County Mayor of Knox County, Tennessee (the "County") will receive electronic or written bids until **11:30 a.m. E.D.T.** on **Monday, September 16, 2019** for the purchase of all, but not less than all, of the County's $37,230,000* General Obligation Bonds, Series 2019B (the "Bonds"). Electronic bids must be submitted through ***PARITY***® as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the County's Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY***® System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours' notice via Bloomberg News Service and/or the ***PARITY***® System.

Electronic bids must be submitted through ***PARITY***® via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale, and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by ***PARITY***® shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in ***PARITY***® conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume October 10, 2019). The Bonds will mature on June 1 in the years 2021 through 2040, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2020, and will be subject to optional redemption prior to maturity on or after June 1, 2028 at par plus accrued interest. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the County will require bidders to comply with the "hold-the-offering-price rule" or the "10% Test" for purposes of determining the issue price of the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the County's Municipal Advisor, Cumberland Securities Company, Inc. (865) 988-2663. Further information regarding ***PARITY***® may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Glenn Jacobs
County Mayor

*Preliminary, subject to change.

DETAILED NOTICE OF SALE
$37,230,000*
KNOX COUNTY, TENNESSEE
General Obligation Bonds, Series 2019B

NOTICE IS HEREBY GIVEN that the County Mayor of Knox County, Tennessee (the “County”) will receive electronic or written bids until **11:30 a.m. E.D.T.** on **Monday, September 16, 2019** for the purchase of all, but not less than all, of the County's $37,230,000* General Obligation Bonds, Series 2019B (the “Bonds”). Electronic bids must be submitted through *PARITY*® as described in the “Detailed Notice of Sale.” In case of written bids, bids will be received by the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY*®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the ***PARITY*®** System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume October 10, 2019), bear interest payable each June 1 and October 1, commencing June 1, 2020, be issued, or reissued upon transfer, in $5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature and be payable as follows:

YEAR (June 1)	AMOUNT*	YEAR (June 1)	AMOUNT*
2021	$ 1,390,000	2031	$ 1,860,000
2022	1,425,000	2032	1,920,000
2023	1,470,000	2033	1,975,000
2024	1,515,000	2034	2,035,000
2025	1,560,000	2035	2,095,000
2026	1,605,000	2036	2,155,000
2027	1,655,000	2037	2,225,000
2028	1,705,000	2038	2,290,000
2029	1,755,000	2039	2,360,000
2030	1,805,000	2040	2,430,000

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of $5,000 for the Bonds and any integral multiple of $5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity

*Preliminary, subject to change.

or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only system is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the County, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of $5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the County and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Municipal Bond Insurance. The County has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The County will cooperate with the successful bidder(s) in obtaining such insurance, but the County will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of Moody’s and S&P that will be paid by the County.

Purpose. The Bonds are being issued for the purpose of (i) constructing, improving, repairing, renovating and equipping of courtroom, corrective and detention facilities, schools and other educational facilities, libraries, stormwater drainage facilities, parks and recreation facilities and other public buildings, including any equipment required therefor; (ii) constructing and improving roads, streets, bridges and highways; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (iv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (v) payment of costs incident to the issuance of the bonds.

Optional Redemption. The Bonds maturing on June 1, 2029 and thereafter are subject to optional redemption prior to maturity at the option of the County on or after June 1, 2028 at any time at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The County will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through ***PARITY®*** via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by ***PARITY®*** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in ***PARITY®*** conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of ***PARITY®*** shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by ***PARITY®***. The use of ***PARITY®*** facilities are at the sole risk of the prospective bidders.

For further information regarding ***PARITY®***, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the County's Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The County and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the County's Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The County reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the County Mayor to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the County Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the County reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of each series of the Bonds by up to 25% of the par amount of such series. The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only occur if the bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Municipal Advisor (wire transfer or certified check) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Municipal Advisor no later than the close of business on the day following the competitive sale. Instructions for a wire transfer will be sent by the Municipal Advisor to the successful bidder.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the County as liquidated damages.

In the event of the failure of the County to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the County in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the County within 24 hours after award, furnish the following information to the County to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the County that the Bonds were initially offered to the public).
B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
C. Any other material information that the County determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the County will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the County will not include in the final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the County in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The County expects the successful bidder to deliver copies of such Official Statement in final form (the "Final Official Statement") to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the County expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Issue Price Certificate

a. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County, on or prior to the date of issuance and delivery of the Bonds (the "Closing Date"), an "issue price" or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bass, Berry & Sims PLC ("Bond Counsel"). All actions to be taken by the County under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the County by the Municipal Advisor and any notice or report to be provided to the County may be provided to the Municipal Advisor.

b. The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "Competitive Sale Requirements") because:

   1. the County shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

2. all bidders shall have an equal opportunity to bid;

3. the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;

4. the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale; and

5. Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

c. In the event that the Competitive Sale Requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% Test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "Hold-the-Offering-Price Rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or

2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

f. The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement , as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:

   1. "public" means any person other than an underwriter or a related party;

   2. "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial

sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

3. a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. "sale date" means the date that the Bonds are awarded by the County to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the County, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Hold-the-Offering-Price Rule does not apply, and a form of the issue price certificate is attached to the Detailed Notice of Sale as Exhibit B if such Rule does apply.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; and is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after each of the County's fiscal years (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the County is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the County either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the County's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given to the successful bidder. Delivery will be made in book-entry-only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the County. The County will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding ***PARITY***® may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Glenn Jacobs, County Mayor

EXHIBIT A

KNOX COUNTY, TENNESSEE
$__________ GENERAL OBLIGATION BONDS, SERIES 2019B

ISSUE PRICE CERTIFICATE
(for Competitive Sales, to be modified if Hold the Offering Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the Knox County, Tennessee (the "Issuer").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is Monday, September 16, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry, Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: ____________________

[NAME OF UNDERWRITER]

By: ______________________________

Name: ____________________________

Title: _____________________________

EXHIBIT B

KNOX COUNTY, TENNESSEE
$__________ GENERAL OBLIGATION BONDS, SERIES 2019B

ISSUE PRICE CERTIFICATE
(if Hold-the-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]") [and the other members of the underwriting syndicate (together, the "Underwriting Group")], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the Knox County, Tennessee (the "Issuer").

1. ***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the [Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. ***Defined Terms***.

(a) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(b) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is Monday, September 16, 2019.

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry, Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated:____________________

[NAME OF UNDERWRITER]

By:___________________________________

BID FORM

Honorable Glenn Jacobs, County Mayor
City County Building, Suite 615
400 Main Street
Knoxville, TN 37902

September 16, 2019

Dear Mr. Jacobs:

For your legally issued, properly executed $37,230,000* General Obligation Bonds, Series 2019B (the "Bonds") of Knox County, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of ________________________________ ___________________ ($______________________).

The Bonds shall be dated the date of issuance (assume October 10, 2019) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	**Amount***	**Rate**	**Maturity (June 1)**	**Amount***	**Rate**
2021	$ 1,390,000	___	2031	$ 1,860,000	___
2022	1,425,000	___	2032	1,920,000	___
2023	1,470,000	___	2033	1,975,000	___
2024	1,515,000	___	2034	2,035,000	___
2025	1,560,000	___	2035	2,095,000	___
2026	1,605,000	___	2036	2,155,000	___
2027	1,655,000	___	2037	2,225,000	___
2028	1,705,000	___	2038	2,290,000	___
2029	1,755,000	___	2039	2,360,000	___
2030	1,805,000	___	2040	2,430,000	

We have elected the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.
Term Bond 2: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.
Term Bond 3: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.
Term Bond 4: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.
Term Bond 5: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.
Term Bond 6: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.

It is our understanding that the Bonds are subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for up to 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
Knox County, Tennessee, this
16th day of September, 2019.

____
Glenn Jacobs, County Mayor

Respectfully submitted,
____

Total interest cost from
October 10, 2019 to final maturity $_______________
Less: Premium /plus discount, if any $_____________
Net Interest Cost $___________________________
True Interest Rate .... _______%

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

*Preliminary, subject to change.

$37,230,000*
KNOX COUNTY, TENNESSEE
General Obligation Bonds, Series 2019B

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Knox County, Tennessee (the "County") of $37,230,000* General Obligation Bonds, Series 2019B (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated,* and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on August 20, 2019 (the "Resolutions").

The Bonds are being issued for the purpose of (i) constructing, improving, repairing, renovating and equipping of courtroom, corrective and detention facilities, schools and other educational facilities, libraries, stormwater drainage facilities, parks and recreation facilities and other public buildings, including any equipment required therefor; (ii) constructing and improving roads, streets, bridges and highways; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (iv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (v) payment of costs incident to the issuance of the bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery (assume October 10, 2019). Interest on the Bonds will be payable semi-annually on June 1 and October 1, commencing June 1, 2020. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the County Mayor and shall be attested by the County Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The County, through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any

*Preliminary, subject to change.

time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the County.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of County Commissioners, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the County on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The County shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows. However, if the winning bidder certifies to the County that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry-Only System is not required.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the "Book-Entry-Only System"). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the County will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the County as follows:

(a) all accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and

(b) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2019B Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the County Mayor to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the County for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law.

DISCHARGE AND SATISFACTION OF BONDS

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations,

as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, or obligations of any agency or instrumentality of the United States, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the “Code”), and
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the County must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The County has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled "MISCELLANEOUS – "Competitive Public Sale", "Additional Information" and "Continuing Disclosure."

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MISCELLANEOUS

RATINGS

Moody's Investor Services, Inc. ("Moody's") and S&P Global Ratings ("S&P") have given the Bonds the ratings of "Aa1" and "AA+", respectively to the Bonds. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings should be obtained from such agencies.

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Moody's and S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and rating, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

Any explanation of the significance of the ratings may be obtained only from Moody's and S&P.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on Monday, September 16, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated September 10, 2019.

The successful bidder for the Bonds was an account led by ___________________, _______, _______ (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $__________ (consisting of the par amount of the Bonds, less an underwriter's discount of $_________ and less an original issue discount of $__________) or ____% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the "Municipal Advisor") to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the County to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the County, including without limitation any of the County's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the County, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal

Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT, in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this PRELIMINARY OFFFICIAL STATEMENT has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this PRELIMINARY OFFICIAL STATEMENT nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the County's Dissemination Agent. If the County chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing capital needs that may or may not require the issuance of additional debt. The County may also authorize the issuance of refundings of outstanding debt as savings opportunities arise.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see "DEBT STRUCTURE - Indebtedness and Debt Ratios" for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the County from information available. Additionally, no agreements or legal proceedings of the County relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all rating changes due to rating changes of municipal insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles, provided, however, if the County's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Property Tax Levies and Collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-6;

2. Property tax rates and the assessed value of property in the County for the tax year ending in such fiscal year and the total actual value of all taxable property for such year as shown on page B-7;

3. The ten largest taxpayers as shown on page B-8;

4. Summary of Outstanding General Obligation Debt by Issues as of the end of such fiscal year as shown on page B-10;

5. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base as shown on page B-11;

6. Information about the Bonded Debt Service Requirements - General Obligation as of the end of such fiscal year as shown on page B-12; and

7. Summary of Capital Improvement Plan – Adopted Projects Summary as of the end of such fiscal year through fiscal year 2024 as shown on page B-13; and

8. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund, Debt Service Fund, Capital Projects Fund, General Government and Board of Education Funds for the fiscal year as shown on page B-14 through B-17;

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the County or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The County will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

   c. Unscheduled draws on debt service reserves reflecting financial difficulties;

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

   e. Substitution of credit or liquidity providers, or their failure to perform;

   f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

   g. Modifications to rights of Bondholders, if material;

   h. Bond calls, if material, and tender offers;

   i. Defeasances;

   j. Release, substitution, or sale of property securing repayment of the securities, if material;

   k. Rating changes;

   l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

   m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

   n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

   o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the County, any of which reflect financial difficulties.

Termination of Reporting Obligation. The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this PRELIMINARY OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this PRELIMINARY OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this PRELIMINARY OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF THE COUNTY

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ ______________________________
County Mayor

ATTEST:

/s/ ______________________________
County Clerk

APPENDIX A

LEGAL OPINION

LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Knox County, Tennessee (the "Issuer") of the $___________ General Obligation Bonds, Series 2019B (the "Bonds"), dated ______, 2019. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by

reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

26974428.1

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

COUNTY OF KNOX, TENNESSEE

SUPPLEMENTAL INFORMATION STATEMENT

In addition to providing audited financial information as of and for the year ended June 30, 2018, the County of Knox, Tennessee, intends that this Supplemental Information Statement will be used, together with information specifically provided by the County for that purpose, in connection with the offering and issuance by the County of its securities.

The County has prepared a comprehensive annual financial report containing additional financial statements and other information for the periods covered by this Supplemental Information Statement.

Please contact Mr. Chris Caldwell, Director of Finance, City/County Building, 400 Main Avenue, Room 630, Knoxville, Tennessee 37902, 865-215-2350, for questions regarding information in this Supplemental Information Statement, copies of Comprehensive Annual Financial Reports, or placement on the mailing list for the Supplemental Information Statement.

The date of this Supplemental Information Statement is as of June 30, 2018, unless otherwise noted. The information, estimates, and expressions of opinion in this Supplemental Information Statement are subject to change without notice. The delivery of this Supplemental Information Statement shall not, under any circumstances, create any implication that there has been no material change in the affairs of the County since the date of this Supplemental Information Statement.

No person, except as noted on the cover page, has been authorized by the County to give any information or to make any representations not contained in this Supplemental Information Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized.

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COUNTY OF KNOX, TENNESSEE

INTRODUCTION

Knox County (the "County") is located in the eastern portion of the State. Founded in 1791 where the French Broad and Holston Rivers converge to form the Tennessee River, The City of Knoxville (the "City"), the County seat, is the largest city in East Tennessee and ranks third largest in the state. The County is located in a broad valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast.

To the north, Union and Grainger Counties border the County. Jefferson and Sevier Counties make up the County's eastern border, while the County's southern border is provided by Blount and Loudon Counties. To the immediate west of the County lies Anderson County. Knoxville, the County seat, is located approximately 50 miles west of the North Carolina state line. Total land area of the County is approximately 528 square miles. It has a 2010 U.S. Census population of 432,226, which ranks it as the third largest county in Tennessee.

The City of Knoxville is the largest incorporated municipality in the County with a 2010 U. S. Census population of approximately 178,874 persons. The only other municipality within the County, Farragut, has a 2010 U.S. Census population of approximately 20,676 persons. The City has a land area of approximately 99.4 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee, a highly industrialized section of the State.

GOVERNMENTAL STRUCTURE

The County has operated under a County Mayor/County Commission form of government since September 1, 1980, and a Home Rule Charter since September 1, 1990. Policy making and legislative authority are vested in the County Mayor (the Executive Branch of the County) and the County Commission (the Legislative Branch of the County). The County Commission is responsible, among other things, for passing ordinances, adopting the budget and appointing committees. The County Mayor is the Chief Fiscal Officer of the County and is responsible, among other things, for carrying out the policies and ordinances of the County Commission, for overseeing the day-to-day operations of the government, and for appointing the heads of many of the County's departments. The executive and administrative powers are vested in the County Mayor, who is elected at large for a four-year term. The County Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the County Charter or by ordinance enacted pursuant to the County Charter unless otherwise accepted. A majority plus one vote of the County Commission is required to override the County Mayor's veto. The Charter also provides for a commission chairperson who is elected by the Commission for a one-year term and is the presiding officer of the Commission. The Commission is the legislative body of the County government and is composed of 11 members who are elected for four-year terms with one member elected from each of nine districts and two at large members.

The County and its Component Units, which are separate entities for which the County is financially accountable, provide a full range of services including, but not limited to, the construction and maintenance of highways, streets, and infrastructure; police protection; emergency telephone services; elementary and secondary education; community services; sanitation services; recreation and cultural events.

ADMINISTRATION

The following are brief personal resumes of County Administration Officials:

GLENN JACOBS, COUNTY MAYOR

Mr. Jacobs was elected to serve a four-year term for Knox County from September 1, 2018 to August 31, 2022. Mr. Jacobs graduated from Truman State University with a degree in English. Before becoming Knox County Mayor in 2018, Mr. Jacobs had a successful professional wrestling career for nearly 25 years. Mr. Jacobs has served on the East Tennessee Children's Hospital advisory council and the board of the Halls/Powell Boys and Girls Club. As a small business owner of Jacobs Insurance Associates, Mr. Jacobs is a supporter of the Kindness Revolution, a national anti-bullying initiative. Mr. and Mrs. Jacobs have also founded Kane's Crusaders, a non-profit organization to bring joy to chronically ill teenagers in East Tennessee.

CHRIS CALDWELL – DIRECTOR OF FINANCE

Mr. Caldwell accepted the position of Senior Director of Finance for Knox County in 2012. Before accepting the position, he was the Accounting & Budgeting Director and has worked for Knox County since 2002. He has a Bachelor's of Business Administration from Lincoln Memorial University and a Master's in Business Administration from Bellevue University. He is currently a member of Government Finance Officers Association (GFOA) and Tennessee Government Finance Officers Association (TGFOA).

RICHARD ARMSTRONG - LAW DIRECTOR

Mr. Armstrong grew up in the Skaggston community of East Knox County, Tennessee. He received his Bachelor of Arts from the University of Tennessee, a Doctorate in Education from Columbia University, and Juris Doctorate from Nashville School of Law. Mr. Armstrong came to the Law Director’s office from private practice where he represented clients across Tennessee. Prior to entering private practice, Mr. Armstrong worked as an environmental scientist for the Tennessee Valley Authority for thirty-two years. During his time with TVA, Bud advised local, state, and federal agencies on regulatory matters. Mr. Armstrong has served as a member of the Knox County Commission and on several local boards including the East Tennessee Historical Society, the Candoro Arts & Heritage Center and East Knox Business and Professional Association. He is a Past Master of Woodward Lodge F&AM, Knoxville Scottish Rite, and Kerbela Shrine.

FINANCIAL MANAGEMENT SYSTEM

DEPARTMENT OF FINANCE

The Department of Finance is responsible for all fiscal affairs, financial management and related systems of the County. The Director of Finance/Administration is in charge of overall County financial policy and reports directly to, and is appointed by, the County Mayor. The Director is the primary administrative officer responsible for accounting, financial reporting, debt policy and financial support systems. The activities of the department are currently organized into the following sections: Payroll, Accounting, Budget/Program, Purchasing, Mail, Finance Systems, and Risk Management.

FISCAL YEAR

The County operates on a fiscal year that commences July 1 and ends June 30.

FINANCIAL REPORTING

The County maintains a financial reporting system that provides timely and accurate reports on the County’s financial position and the results of its operation. The County’s financial statements are audited annually by independent certified public accountants. The reports of such accountants with respect to the County’s financial statements for the fiscal year ended June 30, 2018, are included elsewhere in the Official Statement. The financial reporting entity (the Government) includes all the funds and the account groups of the primary government (i.e. the County) as well as all of its Component Units. Component Units are legally separate entities for which the Primary Government is financially accountable. Component Units are discretely presented in separate columns in the combined financial statements to emphasize that they are legally separate from the Primary Government and to differentiate their financial position, results of operations and cash flows from those of the Primary Government. The Knox County Board of Education (the School Board), Knox County Emergency Communications District (the District) and the Development Corporation of Knox County are reported as discretely presented Component Units in the County’s annual financial statements.

Because of the close relationship between the County and the School Board and the fact that the School Board does not issue financial statements separate from those of the County, many of the supplemental schedules and other financial information are consolidated in the annual financial statements to more properly reflect the activities of the County and the School Board.

ACCOUNTING SYSTEM

The Finance/Administration Department maintains separate accounting systems for the County and its Component Units except for the Development Corporation of Knox County and the Great Schools Partnership (a discretely presented component unit of the Knox County Board of Education), which maintain their own systems.

BASIS OF ACCOUNTING

The County follows generally accepted accounting principles set forth in statements and interpretations issued by the Governmental Accounting Standards Board (GASB). Accounting records for general governmental operations are maintained on a modified accrual basis. Under this system, revenues are recorded when susceptible to accrual, that is, both measurable and available. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable and if the liability will be paid from expendable available financial resources. Budgetary control is maintained at each of the appropriate funds by a formal appropriation and encumbrance system. Salary expenditure and commitments such as purchase orders and contracts are recorded when the liability is incurred.

A comprehensive statement of the County's accounting policies, including significant changes in accounting practices during the fiscal year ended June 30, 2018 is presented in the Notes to Financial Statements in Appendix C.

FUND STRUCTURE

The County has the following fund types:

1. **Governmental** Funds are used to account for the County's general government activities.
2. **Proprietary** Funds are used to account for ongoing activities and organizations that are similar to private enterprises.
3. **Fiduciary** Funds are used to account for assets held by the County in a trustee capacity or as an agent on behalf of others.

CASH MANAGEMENT SYSTEM

Cash is invested in certificates of deposit, obligations of the U.S. Government, corporate bonds, and the State of Tennessee Local Government Investment Pool.

The County's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the majority of deposits were either insured by federal depository insurance or collateralized.

BOND AUTHORIZATION

Bonds are authorized on behalf of the County by an initial resolution (if not a refunding) and a detailed resolution of the County Commission, each of which requires a simple majority. The initial resolution must be published one time in a newspaper of general circulation in the County. Unless ten percent of the registered voters of the County protest the issuance of the Bonds within 20 days of publication, the Bonds may be issued as authorized.

SHORT TERM BORROWING

Under the present Tennessee law, counties in Tennessee are authorized through their respective governing bodies upon approval by the State Director of Local Finance, to issue interest bearing bond anticipation notes and capital outlay notes for all municipal purposes for which general obligation bonds can be legally authorized and issued.

DEBT LIMIT

Present Tennessee law provides that bonds may be issued by a county without regard to any limit on indebtedness.

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PROPERTY TAX

ASSESSMENTS

The property tax on real estate and personal property provides the County with a major source of revenue for a variety of functions. The property tax that can be levied is without limit as to rate or amount. The County Commission reserves and allocates a portion of the property tax rate among general government, public education and the repayment of the debt service.

All real estate and personal property, including some utilities not under the jurisdiction of the State of Tennessee, are assessed by the Knox County Assessor of Property. Utilities and carriers (railroads, truck lines, airlines, bus lines, etc.) are assessed by the State, and some intangible personal property assessments related to banks are assessed by the State Division of Property Assessments. The County completed a complete reappraisal of all properties in the County in 2017, resulting in revised property tax rates beginning in FY 2018. The appraised value is approximate market value as of the reappraisal. The ratio of assessment under the Property Assessment and Classification Act of 1973, provides for assessing farm and residential real property at 25% of the current market value, railroads, commercial and industrial real property at 40% of the current market value, personal property at 30% of the current market value, and real and personal property of public utilities is generally 40% of the current value.

With the 2017 appraisal completed, new appraisal changes in real estate will occur only when improvements are made to existing structures, demolition of existing structures occur, or when improvements were made on vacant property. Reappraisal does not occur based on property sales. Personal property assessments are made annually based upon returns submitted by the taxpayers and are, therefore, maintained on a current basis. Appraisals by the State of Tennessee for utilities and carriers are made annually based upon returns and are also maintained at current market value. The County plans to revise all assessments every four years in the future based on current market values.

Public utilities are assessed by the State of Tennessee and are automatically reviewed by the State Board of Equalization. These assessments include real estate and personal property on the basis of location and usage. Currently, under a ruling by the State Board of Equalization, the appraised value of public utilities is being reduced by multiplying it by a factor computed by dividing the appraised valuation for tax purposes of all real property within the County by the current market value. The assessed value is based on this reduced appraised value.

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PROPERTY TAX LEVIES AND COLLECTIONS

		COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY			TOTAL COLLECTION TO DATE	
Fiscal Year Ended June 30	**Total Tax Levy for Fiscal Year**	**Amount**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount**	**Percentage of Levy**
2009	$232,284	$221,802	95.5%	$10,289	$232,091	99.9%
2010	237,376	225,027	94.8%	12,051	237,078	99.9%
2011	239,974	229,048	95.4%	10,538	239,586	99.8%
2012	243,698	234,476	96.2%	8,734	243,210	99.8%
2013	248,479	239,800	96.5%	8,118	247,918	99.8%
2014	251,078	243,512	97.0%	6,868	250,380	99.7%
2015	254,985	246,882	96.8%	7,218	254,100	99.7%
2016	258,470	252,031	97.5%	5,141	257,172	99.5%
2017	262,535	255,343	97.3%	4,829	260,172	99.1%
2018	267,262	260,045	97.3%	816	260,861	97.6%

* Amounts expressed in thousands

Source: 2018 Knox County, Tennessee Comprehensive Annual Financial Report.

Property Taxes are normally due on August 1 and become delinquent on the following March 1 each year. A penalty of 1% accrues the first of each month taxes remain delinquent and interest accrues at ½% per month until paid.

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ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY

	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC UTILITY PROPERTY	
Tax Year*	**Assessed Value**	**Actual Value**	**Assessed Value**	**Actual Value**	**Assessed Value**	**Total Assessed Value**
2009	$9,362,397,250	$32,825,951,200	$560,310,232	$1,867,700,773	$280,334,439	$10,203,041,921
2010	9,487,154,290	33,269,026,900	528,662,092	1,762,206,973	263,184,246	10,279,000,628
2011	9,616,297,845	33,731,135,812	543,061,119	1,812,105,998	274,110,589	10,433,469,553
2012	9,711,747,868	33,930,700,639	591,845,675	1,976,239,726	273,717,371	10,577,310,914
2013	10,012,139,066	34,680,083,345	616,746,814	2,055,289,398	264,507,966	10,893,393,846
2014	10,129,496,628	34,713,275,661	630,715,359	2,100,718,093	277,646,472	11,037,858,459
2015	10,281,353,708	36,919,465,794	639,749,886	2,213,323,837	282,369,358	11,203,472,952
2016	10,448,203,876	37,526,859,892	651,038,313	2,252,571,839	277,926,658	11,377,168,847
2017	11,700,461,855	40,301,049,088	695,169,659	2,317,232,197	268,585,449	12,664,216,963
2018	11,853,204,505	40,898,045,388	717,992,133	2,393,307,110	272,720,518	12,843,917,156

Source: Tax Aggregate Reports of Tennessee prepared by the State Board of Equalization for the Tax Years 2009 through 2018.

* The Tax Year coincides with the calendar year; therefore, Tax Year 2018 is actually Fiscal Year 2018-2019.

PROPERTY TAX RATE DISTRIBUTION

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
General Government	$0.96	$0.96	$0.97	$0.97	$0.89
Schools	$1.06	$0.88	$0.88	$0.88	$0.80
Debt Service Fund	$0.30	$0.48	$0.47	$0.47	$0.43
Total Tax Levy	**$2.32**	**$2.32**	**$2.32**	**$2.32**	**$2.12**

Source: Knox County, Tennessee Comprehensive Annual Financial Reports.

TAX RATE LIMITATIONS

The Ad Valorem (Real Estate Personal Property) tax levy is without legal limit as to rate or amount.

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TEN LARGEST TAXPAYERS

Taxpayer	Industry	Assessed Property Valuation	Total Assessed Property Valuation
Metro Knoxville	Government	$66,586,360	0.53%
AT&T Mobility Inc	Telephone	36,569,666	0.29%
Verizon Wireless Communication	Telephone	34,285,355	0.27%
West Town Mall	Commercial	28,557,440	0.23%
Bell South	Telephone	27,191,676	0.22%
UPS, Inc.	Delivery	19,697,905	0.16%
Exedy America Corp	Manufacturing	18,221,959	0.14%
Pilot Travel Centers	Retail	18,164,019	0.14%
Quarry Trail		16,717,240	0.13%
Hart TC L-LI LLC	Commercial	16,309,920	0.13%
FY 2016 Assessed Property Valuation for ten largest payers		**$ 282,291,540**	**2.24%**
Balance of Assessed Valuation		12,113,339,974	97.76%
TOTAL ASSESSED VALUATION		**$12,395,631,514**	**100.00%**

Source: 2018 Knox County, Tennessee Comprehensive Annual Financial Report.

GENERAL SALES TAX

The County's General (Local) Sales Tax is currently levied at a rate of 2.25%.

FINANCIAL INFORMATION

BUDGETING AND APPROPRIATIONS PROCEDURES

The County's financial plans are embodied in the annual capital improvement plan and operating budget. The budget reflects the projection of all revenues from and expenditures to all sources and present the level of governmental services and the method of distributing costs to the various segments of the County through the collection of taxes and fees.

The Commission has the final responsibility for establishing program and fiscal policies, approving the annual operating budget and the capital improvements plan, and setting the tax rate and fees for services. The administration is responsible for proposing programs and recommending funding levels to the Commission and for implementing service programs in accordance with the established goals and objectives.

Operating Budget - The annual operating budget is submitted to the Commission approximately 30 days prior to the end of the fiscal year. By the last day of the fiscal year, the Commission is expected to approve the operating budget. No later than the passage of the operating budget resolution, the Commission must enact such revenue measures required to balance the budget.

Capital Improvement Plan - The capital improvement plan is prepared annually to detail capital expenditures planned for each of the five ensuing fiscal years. The total cost of each project and the sources of funding (local, state, federal and private) required to finance each project are estimated. The capital improvement plan is prepared and recommended by the County Mayor and transmitted to the Commission for adoption. The capital improvement plan authorizes in detail the capital expenditures to be made or incurred in the next five ensuing fiscal years and is adopted by the Commission concurrently with the operating budget.

Additional appropriations for each capital project in the capital improvement plan must precede the expenditures of the funds. Generally, the timetable for approval of the capital plan closely parallels that of the operating budget.

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KNOX COUNTY, TENNESSEE
Outstanding General Obligation Debt by Issues

			Outstanding Amounts		As of June 30, 2019
Purpose & Series	**Interest Rate**	**Due Date**	**Primary Government**	**Component Unit - School Board**	**Total Bonded Debt**
$72,000,000 Local Government Public Improvement Bonds, Series C-1-A	Synthetic Fixed[3]	6/1/2029	$ 29,483,333	$ 14,741,667	**$ 44,225,000**
$70,000,000 Local Government Public Improvement Bonds, Series VI-A-1	Synthetic Fixed[3]	6/1/2029	21,128,571	28,171,429	**49,300,000**
$34,550,000 General Obligation Refunding Bonds, Series 2004	Fixed	4/1/2020	2,073,891	2,926,109	**5,000,000**
$47,610,000 General Obligation Refunding Bonds, Series 2005 A	Fixed	5/1/2021	7,218,750	4,331,250	**11,550,000**
$77,000,000 Local Government Public Improvement Bonds, Series D-3-A	Synthetic Fixed[3]	6/1/2034	36,444,805	19,680,195	**56,125,000**
$69,000,000 Local Government Public Improvement Bonds, Series VI-K-1	Variable[2]	6/1/2034	50,450,000	18,550,000	**69,000,000**
$40,000,000 Local Government Public Improvement Bonds, Series C-3-A	Variable[2]	6/1/2029	16,110,250	8,674,750	**24,785,000**
$16,000,000 General Obligation Bonds, Series 2010A (Taxable Build America Bonds)	Fixed	6/1/2035	775,000	14,500,000	**15,275,000**
$29,236,000 Qualified School Construction Bonds, Series 2010	Fixed[4]	2027	-	14,945,801	**14,945,801**
$30,115,000 General Obligation Refunding Bonds, Series 2010B	Fixed	4/1/2020	1,100,000	-	**1,100,000**
$17,000,000 General Obligation Bonds, Series 2010D (Taxable Build America Bonds)	Fixed	6/1/2035	16,675,000	-	**16,675,000**
$35,905,000 General Obligation Bonds, Series 2012	Fixed	4/1/2032	4,480,000	7,100,000	**11,580,000**
$5,000,000 EESI Loan Agreement, Series 2012	Fixed	7/1/2024	-	2,176,234	**2,176,234**
$39,075,000 General Obligation Bonds, Series 2013	Fixed	6/1/2020	850,000	775,000	**1,625,000**
$13,182,024 Capital Lease, Series 2013	Fixed	2/1/2028	-	8,376,167	**8,376,167**
$14,872,404.48 Capital Lease, Series 2014	Fixed	8/1/2030	-	12,468,197	**12,468,197**
$30,040,000 General Obligation Bonds, Series 2014A	Fixed	6/1/2036	11,910,000	13,650,000	**25,560,000**
$56,840,000 General Obligation Refunding Bonds, Series 2014B (Taxable)	Fixed	6/1/2027	41,345,000	-	**41,345,000**
$12,500,000 Qualified Energy Conservation Bond, Series 2015 (Solar Lease)	Fixed	2/1/2036	8,578,261	2,916,275	**11,494,535**
$35,900,000 General Obligation Bonds, Series 2016	Fixed	6/1/2036	13,845,000	17,880,000	**31,725,000**
$90,265,000 General Obligation Bonds, Series 2017	Fixed	6/1/2037	29,745,000	55,010,000	**84,755,000**
$57,780,000 General Obligation Refunding Bonds, Series 2017B	Fixed	6/1/2035	42,420,000	15,360,000	**57,780,000**
$33,165,000 General Obligation Bonds, Series 2018	Fixed	6/1/2038	22,970,705	8,539,296	**31,510,000**
$45,610,000 General Obligation Bonds, Series 2019	Fixed	4/1/2038	25,670,000	19,940,000	**45,610,000**
Total Long-Term Debt - Primary Government			**$ 383,273,565**	**$ 290,712,369**	**$ 673,985,934**
Current Issue					
$37,230,000 General Obligation Bonds, Series 2019B	Fixed	6/1/2040	21,430,000	15,800,000	**37,230,000**
			$ 404,703,565	**$ 306,512,369**	**$ 711,215,934**

Notes:

1. The above figures do not include short-term notes outstanding and leases, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein. .

2. Knox County budgets to account for interest rate risk.

3. The Series C-1-A, Series VI-A-1 & Series D-3-A Bonds have been swapped to a synthetic fixed rate. The County budgets to account for basis risk.

4. The Qualified School Constructions Bonds, Series 2010 require annual sinking fund deposits to made to pay off the $29,236,000 in full on June 1, 2027. As of June 30, 2019, the County has already deposited $14,290,200 into the sinking fund, leaving only $14,945,801 remaining.

KNOX COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this OFFICIAL STATEMENT.

	For the Fiscal Year Ended June 30				Unaudited	After Issuance
	2015	2016	2017	2018	2019	2019
Estimated Population[2]	451,321	456,114	461,860	461,860	461,860	461,860
Actual Property Valuation[3]	38,201,723,954	38,620,666,682	39,233,928,954	43,513,738,614	43,513,738,614	43,513,738,614
Assessed Valuation	10,995,972,079	11,143,429,486	11,318,664,186	12,611,778,157	12,611,778,157	12,611,778,157
Total Long-Term Debt	665,567,816	655,974,318	701,404,051	656,334,295	673,985,934	711,215,934
Less: Debt Service Fund	(23,711,404)	(24,270,960)	(14,916,876)	(16,690,905)	(16,690,905)	(16,690,905)
Net Long-Term Indebtedness	641,856,412	631,703,358	686,487,175	639,643,390	657,295,029	694,525,029
Total Overlapping Debt	180,795,000	170,370,000	296,171,000	64,299,000	64,299,000	64,299,000
Total Overlapping Debt & Net Bonded Indebtedness	822,651,412	802,073,358	982,658,175	703,942,390	721,594,029	758,824,029
Bonded Debt per Capita - Total Debt	1,475	1,438	1,519	1,421	1,459	1,540
Bonded Debt per Capita - Net Debt	1,422	1,385	1,486	1,385	1,423	1,504
Overlapping & Net Bonded Debt per Capita	1,823	1,758	2,128	1,524	1,562	1,643
Debt Ratios						
Bond Debt to Actual Valuation - Total Debt	1.74%	1.70%	1.79%	1.51%	1.55%	1.63%
Bonded Debt to Actual Valuation - Net Debt	1.68%	1.64%	1.75%	1.47%	1.51%	1.60%
Overlapping & Net Bonded Debt to Actual	2.15%	2.08%	2.50%	1.62%	1.66%	1.74%
Bonded Debt to Assessed Valuation - Total Debt	6.05%	5.89%	6.20%	5.20%	5.34%	5.64%
Bonded Debt to Assessed Valuation - Net Debt	5.84%	5.67%	6.07%	5.07%	5.21%	5.51%
Overlapping & Net Bonded Debt to Assessed	7.48%	7.20%	8.68%	5.58%	5.72%	6.02%

Source: Knox County, Tennessee Comprehensive Financial Reports and Tax Aggregate Reports of Tennessee Prepared by the State Board of Equalization.

[1] In fiscal year 2014, the County completed a reappraisal of real and personal property.

[2] Population figures are from the US Census Bureau.

[3] Does not include actual utility property.

KNOX COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended 6/30	Existing Debt - General Obligation (1) As of Date of Preliminary Official Statement: Principal	Interest & Fees (2)	Estimated U.S. Treasury Rebate & Subsidies (4)	Estimated Sequestration Reduction (4)	TOTAL	General Obligation Bonds, Series 2019B: Principal	Interest (3)	TOTAL	% Principal Repaid (2019B Bonds)	Total Bonded Debt Service Requirements: Principal	Interest (2)	Estimated U.S. Treasury Rebate (4)	Estimated Sequestration Reduction (4)	TOTAL	% Principal Repaid (All Debt)
2020	$ 46,326,268	$ 28,342,858	$ (2,416,737)	$ 144,471	$ 72,396,860	$ -	$ 744,600	$ 744,600	0.00%	$ 46,326,268	$ 29,087,458	$ (2,416,737)	$ 144,471	$ 73,141,460	6.51%
2021	44,098,663	26,614,362	(2,392,666)	143,012	68,463,371	1,390,000	1,116,900	2,506,900		45,488,663	27,731,262	(2,392,666)	143,012	70,970,271	
2022	38,525,710	24,886,823	(2,365,685)	141,377	61,188,225	1,425,000	1,075,200	2,500,200		39,950,710	25,962,023	(2,365,685)	141,377	63,688,425	
2023	39,967,624	23,388,890	(2,332,137)	139,342	61,163,719	1,470,000	1,032,450	2,502,450		41,437,624	24,421,340	(2,332,137)	139,342	63,666,169	
2024	40,499,584	21,822,768	(2,297,499)	137,239	60,162,092	1,515,000	988,350	2,503,350		42,014,584	22,811,118	(2,297,499)	137,239	62,665,442	
2025	39,440,514	20,221,393	(2,262,115)	135,090	57,534,882	1,560,000	942,900	2,502,900	19.77%	41,000,514	21,164,293	(2,262,115)	135,090	60,037,782	36.03%
2026	41,493,552	18,657,435	(2,226,326)	132,914	58,057,575	1,605,000	896,100	2,501,100		43,098,552	19,553,535	(2,226,326)	132,914	60,558,675	
2027	43,068,232	17,022,544	(2,175,387)	129,839	58,045,229	1,655,000	847,950	2,502,950		44,723,232	17,870,494	(2,175,387)	129,839	60,548,179	
2028	43,622,373	14,012,814	(1,419,593)	85,124	56,300,717	1,705,000	798,300	2,503,300		45,327,373	14,811,114	(1,419,593)	85,124	58,804,017	
2029	44,200,956	12,082,175	(661,451)	40,265	55,661,945	1,755,000	747,150	2,502,150		45,955,956	12,829,325	(661,451)	40,265	58,164,095	
2030	37,961,630	10,182,060	(609,571)	37,068	47,571,188	1,805,000	694,500	2,499,500	42.67%	39,766,630	10,876,560	(609,571)	37,068	50,070,688	66.80%
2031	38,774,070	8,495,904	(536,262)	32,600	46,766,312	1,860,000	640,350	2,500,350		40,634,070	9,136,254	(536,262)	32,600	49,266,662	
2032	39,462,779	6,931,077	(459,639)	27,930	45,962,146	1,920,000	584,550	2,504,550		41,382,779	7,515,627	(459,639)	27,930	48,466,696	
2033	39,883,786	5,327,248	(375,125)	22,778	44,858,687	1,975,000	526,950	2,501,950		41,858,786	5,854,198	(375,125)	22,778	47,360,637	
2034	41,457,257	3,684,057	(285,789)	17,334	44,872,859	2,035,000	467,700	2,502,700		43,492,257	4,151,757	(285,789)	17,334	47,375,559	
2035	25,273,306	1,970,170	(191,261)	11,575	27,063,789	2,095,000	406,650	2,501,650	69.22%	27,368,306	2,376,820	(191,261)	11,575	29,565,439	94.18%
2036	15,187,048	1,009,174	(44,348)	2,716	16,154,590	2,155,000	343,800	2,498,800		17,342,048	1,352,974	(44,348)	2,716	18,653,390	
2037	10,762,581	493,057	(8,993)	551	11,247,197	2,225,000	279,150	2,504,150		12,987,581	772,207	(8,993)	551	13,751,347	
2038	3,980,000	138,856	-	-	4,118,856	2,290,000	212,400	2,502,400		6,270,000	351,256	-	-	6,621,256	
2039	-	-	-	-	-	2,360,000	143,700	2,503,700		2,360,000	143,700	-	-	2,503,700	
2040	-	-	-	-	-	2,430,000	72,900	2,502,900	100.00%	2,430,000	72,900	-	-	2,502,900	100.00%
	$ 673,985,934	$ 245,283,666	$ (23,060,583)	$ 1,381,223	$ 897,590,240	$ 37,230,000	$ 13,562,550	$ 50,792,550		$ 711,215,934	$ 258,846,216	$ (23,060,583)	$ 1,381,223	$ 948,382,790	

NOTES:

(1) The above figures do not include short-term notes outstanding and leases, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) The County budgets to account for interest rate and/or basis risk.

(3) Estimated Interest Rate of 3.00%.

(4) The original federal subsidy of 35.0% on the Federally Taxable Build America Bonds (General Obligation Bonds, Series 2010A and General Obligation Bonds, Series 2010D) and 75.088% of the interest on the Qualified Energy Conservation Bond, Series 2015 (Solar Lease) have been reduced by 5.9% for the federal fiscal year ending September 30, 2020 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2020, the sequestration rate will be subject to change.

KNOX COUNTY, TENNESSEE
CAPITAL IMPROVEMENT PLAN - ADOPTED PROJECTS SUMMARY
FY 2020 THROUGH FY 2024

DESCRIPTION	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**Total**
Countywide Projects	$ 1,750,000	$ 500,000	$ 300,000	$ 300,000	$ 300,000	$ 3,150,000
Public Libraries	-	100,000	100,000	100,000	100,000	400,000
Parks & Recreation	200,000	200,000	200,000	200,000	200,000	1,000,000
Building Improvements/Major Maintenance	1,285,000	1,200,000	1,200,000	1,200,000	1,200,000	6,085,000
Engineering and Public Works						
Highways	13,650,000	14,800,000	14,300,000	14,800,000	14,800,000	$ 72,350,000
Solid Waste	40,000	130,000	2,020,000	-	-	2,190,000
Stormwater Management	500,000	435,000	435,000	435,000	435,000	2,240,000
Facility Improvements	75,000	75,000	100,000	-	-	250,000
Total Engineering and Public Works	14,265,000	15,440,000	16,855,000	15,235,000	15,235,000	77,030,000
Knox County Schools -- School Debt	15,800,000	32,950,000	35,850,000	14,550,000	12,200,000	111,350,000
Total Projects	**$ 33,300,000**	**$ 50,390,000**	**$ 54,505,000**	**$ 31,585,000**	**$ 29,235,000**	**$ 199,015,000**

KNOX COUNTY, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes in Fund Balances - General Fund

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Revenues:					
Local Taxes	$ 128,079,612	$ 131,190,563	$ 135,514,941	$ 137,889,375	$ 142,641,168
Licenses and Permits	3,827,598	4,214,130	4,415,268	4,893,377	5,220,162
Fines, Forfeitures and Penalties	2,246,055	2,307,617	2,716,773	2,399,222	2,155,077
Charges for Current Services	6,007,089	6,851,745	7,152,072	7,674,607	7,692,955
Other Local Revenues	7,088,972	4,744,620	4,827,617	5,119,448	4,842,366
State of Tennessee	9,757,201	12,381,044	13,883,964	13,198,822	13,916,623
Federal Government	1,297,509	1,169,552	1,208,814	1,122,518	1,089,621
Fees Received from County Officials	-	-	-	-	-
Other Governments & Citizen Groups	560,118	356,251	588,883	262,564	514,993
Payments from Component Unit	-	-	-	-	-
Increase in Equity Interest in Joint Venture	-	-	-	-	406,204
Total Revenue	$ 158,864,154	$ 163,215,522	$ 170,308,332	$ 172,559,933	$ 178,479,169
Expenditures:					
General Government:					
Finance and Administration	$ 29,291,740	$ 30,028,212	$ 34,090,640	$ 30,411,641	$ 30,118,144
Administration of Justice	16,229,625	16,639,890	17,389,378	17,799,016	18,758,678
Public Safety	72,151,783	75,421,424	79,519,315	81,543,655	84,379,458
Public Health and Welfare	20,698,855	20,037,786	20,408,909	22,453,195	22,313,862
Social and Cultural Services	4,527,355	4,769,053	5,123,600	5,314,393	5,218,606
Agricultural and Natural Resources	519,433	470,977	490,451	518,339	520,063
Other General Government	15,719,681	16,858,562	16,487,712	15,995,302	14,699,478
Total Expenditures	$ 159,138,472	$ 164,225,904	$ 173,510,005	$ 174,035,541	$ 176,008,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (274,318)	$ (1,010,382)	$ (3,201,673)	$ (1,475,608)	$ 2,470,880
Other Financing Sources (Uses)	$ 97,583	$ 4,670,796	$ 5,734,678	$ 4,018,700	$ 2,766,267
Excess Revenues and Other Financing Sources Over (Under) Expenditures	$ (176,735)	$ 3,660,414	$ 2,533,005	$ 2,543,092	$ 5,237,147
Fund Balance, July 1	$ 66,265,258	$ 66,088,523	$ 69,748,937	$ 72,281,942	$ 74,825,034
Prior Period Adjustment	-	-	-	-	-
Fund Balance, June 30	**$ 66,088,523**	**$ 69,748,937**	**$ 72,281,942**	**$ 74,825,034**	**$ 80,062,181**

Source: Knox County, Tennessee Comprehensive Annual Financial Reports.

KNOX COUNTY, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes in Fund Balances - Debt Service Fund

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Revenues:					
Local Taxes	$ 33,375,647	$ 52,224,314	$ 52,316,064	$ 52,794,221	$ 54,109,537
Other Local Revenues	70,000	2,208,630	2,580,575	2,476,499	3,584,765
Other Governments/Citizens Groups	-	-	-	-	-
Payments from Component Units	31,929,023	10,000,000	13,022,088	12,870,448	13,774,686
Interest Earned	2,013,916	-	-	-	-
Total Revenue	$ 67,388,586	$ 64,432,944	$ 67,918,727	$ 68,141,168	$ 71,468,988
Expenditures:					
Debt Service:					
Contracted Services	$ 1,628,599	$ 1,533,801	$ 1,533,600	$ 1,517,275	$ 1,361,330
Trustee Commission	680,090	1,058,983	1,074,820	1,080,628	1,116,096
Principal	40,630,308	43,975,347	44,203,336	43,456,544	42,929,342
Interest	23,577,780	20,716,774	20,742,805	21,369,057	24,358,994
Debt Issuance Costs	-	395,053	-	9,968,536	391,348
Total Expenditures	$ 66,516,777	$ 67,679,958	$ 67,554,561	$ 77,392,040	$ 70,157,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 871,809	$ (3,247,014)	$ 364,166	$ (9,250,872)	$ 1,311,878
Other Financing Sources (Uses):					
Proceeds of Bonds	$ -	$ 72,860,000	$ -	$ -	$ 61,760,220
Operating Transfers In - Other Funds	195,266	894,394	195,390	196,788	195,803
Operating Transfers to Other Funds	-	1,716,531	-	(300,000)	(125,000)
Payment to Refunded Bond Escrow Agent	-	(74,181,478)	-	-	(61,368,872)
Total Other Financing Sources (Uses)	$ 195,266	$ 1,289,447	$ 195,390	$ (103,212)	$ 462,151
Excess Revenues and Other Financing Sources Over (Under) Expenditures	$ 1,067,075	$ (1,957,567)	$ 559,556	$ (9,354,084)	$ 1,774,029
Fund Balance, July 1	$ 24,601,896	$ 25,668,971	$ 23,711,404	$ 24,270,960	$ 14,916,876
Prior Period Adjustment	-	-	-	-	-
Fund Balance, June 30	**$ 25,668,971**	**$ 23,711,404**	**$ 24,270,960**	**$ 14,916,876**	**$ 16,690,905**

Source: Knox County, Tennessee Comprehensive Annual Financial Reports.

KNOX COUNTY, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes in Fund Balances - Capital Projects Fund

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Revenues:					
Other Local Revenues	$ 81,185	$ 55,964	$ 456,435	$ 354,105	$ 832,396
State of Tennessee	1,611,771	4,153,588	96,412	1,110,113	3,731,743
Federal Government	-	-	-	-	-
Other Governments and Citizens Groups	-	-	498,094	-	593,012
Payments from Component Unit	-	-	-	-	-
Interest Earned	(3,365)	(432)	1,609	-	-
Total Revenue	$ 1,689,591	$ 4,209,120	$ 1,052,550	$ 1,464,218	$ 5,157,151
Expenditures:					
Debt Proceeds Paid to Component Unit	$ 38,763,934	$ 24,271,315	$ 19,385,000	$ 70,750,000	$ 2,000,000
Other General Government	15,971	-	160,761	11,100	37,317
Debt Issuance Costs	745,863	209,442	196,957	481,587	-
Capital Projects	18,403,407	18,245,016	26,501,590	29,114,026	23,645,303
Total Expenditures	$ 57,929,175	$ 42,725,773	$ 46,244,308	$ 100,356,713	$ 25,682,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (56,239,584)	$ (38,516,653)	$ (45,191,758)	$ (98,892,495)	$ (20,525,469)
Other Financing Sources (Uses):					
Loan and Note Proceeds	$ 5,962,500	$ -	$ -	$ -	$ -
Capital Lease Proceeds	14,872,404	12,450,000	-	-	-
Bond Proceeds	39,075,000	30,040,000	35,900,000	90,265,000	-
Operating Transfers In - Other Funds	1,574,999	125,320	411,890	437,752	1,379,883
Operating Transfers Out - Other Funds	-	-	-	(1,609)	(324,484)
Premium on Debt Issuance	350,920	1,484,442	2,206,016	8,436,587	-
Total Other Financing Sources (Uses)	$ 61,835,823	$ 44,099,762	$ 38,517,906	$ 99,137,730	$ 1,055,399
Excess Revenues and Other Financing Sources Over (Under) Expenditures	$ 5,596,239	$ 5,583,109	$ (6,673,852)	$ 245,235	$ (19,470,070)
Fund Balance, July 1	$ 1,471,972	$ 7,068,211	$ 12,651,320	$ 5,977,468	$ 6,222,703
Prior Period Adjustment	-	-	-	-	-
Fund Balance, June 30	**$ 7,068,211**	**$ 12,651,320**	**$ 5,977,468**	**$ 6,222,703**	**$ (13,247,367)**

Source: Knox County, Tennessee Comprehensive Annual Financial Reports.

KNOX COUNTY, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes in Fund Balances - General Government and Board of Education Funds

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Revenues by Source (A):					
Local Taxes (B) (C)	$ 434,761,441	$ 447,818,976	$ 462,731,610	$ 468,951,373	$ 482,435,111
Licenses and Permits	3,860,218	4,247,898	4,452,945	4,930,865	5,255,316
Fines and Forfeitures	2,949,034	3,209,888	3,530,766	3,455,831	3,291,616
Charges for Current Services	39,961,282	38,019,050	42,599,250	41,787,525	42,953,501
Other Local Revenues (D)	15,438,087	16,514,423	22,168,932	19,055,388	19,201,982
State of Tennessee (C)	198,333,974	207,027,060	212,426,869	229,025,036	249,435,554
Federal Government	64,010,618	66,813,623	67,859,354	68,305,240	64,732,133
Other Governments and Citizens Groups	7,602,563	6,358,603	5,338,221	1,004,740	2,149,629
Interest Earned (C)	30,575	25,092	29,928	25,177	9,856
Payment from Primary Govt (C)	42,815,934	28,323,315	26,437,000	83,820,536	4,652,000
Payments from Component Unit	35,077,018	12,162,546	13,974,070	13,196,022	14,016,920
Debt Proceeds Recvd from Primary Gvt (C)	-	-	-	-	-
Increase in Equity Interest in Jt Venture	-	-	-	-	406,204
Investment Revenue / Loss	2,023,800	15,686	18,121	-	-
Total Revenues by Source	$ 846,864,544	$ 830,536,160	$ 861,567,066	$ 933,557,733	$ 888,539,822
Expenditures by Function (A):					
General Government (E)	$ 259,959,253	$ 253,158,478	$ 259,765,725	$ 325,816,433	$ 253,384,675
Education	568,251,466	533,451,214	541,212,265	576,177,755	591,324,088
Debt Service (F)	66,516,777	67,679,958	67,554,561	67,423,504	70,157,110
Capital Projects	18,415,728	18,251,855	26,594,126	29,382,609	23,645,303
Total Expenditures by Function	$ 913,143,224	$ 872,541,505	$ 895,126,677	$ 998,800,301	$ 938,511,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (66,278,680)	$ (42,005,345)	$ (33,559,611)	$ (65,242,568)	$ (49,971,354)
Other Financing Sources (Uses):					
Bond/Note Proceeds and Transfers In	$ 91,333,184	$ 62,555,860	$ 63,295,140	$ 123,682,081	$ 24,528,284
Transfers Out	(36,402,440)	(18,830,128)	(27,385,451)	(27,791,696)	(27,089,557)
Total Other Financing Sources (Uses)	$ 54,930,744	$ 43,725,732	$ 35,909,689	$ 95,890,385	$ (2,561,273)
Excess Revenues and Other Financing Sources Over (Under) Expenditures	$ (11,347,936)	$ 1,720,387	$ 2,350,078	$ 30,647,817	$ (52,532,627)
Fund Balance, July 1	151,687,047	139,601,225	141,321,612	144,244,529	174,892,346
Prior Period Adjustment	(737,886)	-	-	-	-
Fund Balance, June 30	**$ 139,601,225**	**$ 141,321,612**	**$ 143,671,690**	**$ 174,892,346**	**$ 122,359,719**

Source: Knox County, Tennessee Comprehensive Annual Financial Reports.

Notes:

(A) Includes the General, Special Revenue, Capital Projects, Debt Service and Other Funds for the County and the Total Governmental Funds for the Board.
(B) Local taxes includes Real and Personal Property Taxes, Hotel/Motel Taxes and Local Option Sales Tax.
(C) In fiscal year 1988, the Board acquired the City of Knoxville School System through a Countywide consolidation.
(D) Includes interest income, other local revenues, and payments from Component Unit to Primary Government.
(E) General government expenditures include administration, criminal justice, public safety, health, community services, recreation and public works.
(F) Debt Service includes principal and interest expenditures for General Bonded Debt, Notes, and certain capital leases.

RETIREMENT SYSTEMS AND PLANS

KNOX COUNTY AND BOARD OF EDUCATION

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories - defined contribution and defined benefit plans. The majority of County and Board employees participate in a *defined contribution plan*. Those not included in the defined contribution plan are: certificated teachers covered under the Board's Article 11 Defined Benefit Plan for former Knoxville City School teachers; all certificated County school teachers; certain non-certificated employees who elected not to transfer to the defined contribution plan; and sworn officers in the Sheriff's Office who elected to transfer to the Uniformed Officers Pension Plan (the "UOPP") as of July 1, 2007, plus the sworn officers who were hired between July 1, 2007 and December 31, 2013. The UOPP was closed to new members effective January 1, 2014. County certificated school teachers participate in the State Retirement Plan for Teachers as administered by the Tennessee Consolidated Retirement System (TCRS). Certain County Officials also participate in this plan.

The State of Tennessee provides benefits for participants in the TCRS, a multiple-employer Public Employee Retirement System (PERS). In a multiple-employer PERS, all risks and costs are shared proportionately among the participating employers. A single actuarial valuation is computed for the TCRS as a whole and all participating employer groups make payments to the TCRS based on a predetermined contribution rate. However, as the TCRS prepares a separate financial report on its multiple-employer defined benefit plan and since the County and the Board retain no investment risk associated with the County's defined contribution plan, the operations and activities of these plans are not included in the County's reporting entity, and are, therefore, not included in the accompanying financial statements.

The four defined contribution plans and the three single employer defined benefit plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the closed Knox County Employee Benefit System and the UOPP (County DB Plans), the County's Asset Accumulation Plan, Voluntary 457 Plan, and the Sheriff's Total Accumulation Retirement Plan (County DC Plans) and the County's Medical Retirement Defined Contribution Plan (Medical Retirement DC Plan) are recorded as County pension trust funds. The operations of the Board's Certificated Teacher's Defined Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund.

See the appropriate Notes to the financial statements in Appendix C-2 for a detailed description of the plans.

ECONOMICS

THE ECONOMY

Because of its central location in the eastern United States, the Knoxville area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. Located within the County and City are approximately 1,112 wholesale and distribution houses, 1,606 retail establishments and 8,247 service industries.

Brookings Institution in 2016 ranked the Knoxville Metro Area 54th nationally in prosperity, based on growth in jobs, wages and population. Among other Tennessee metro areas, Knoxville was second only to Nashville (10th ranked). 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.

Economic diversity characterizes Knoxville's landscape of commerce and industry, with companies like media giant Scripps Networks Interactive (HGTV, Food, Travel, DIY, Cooking, and GAC) and Sysco Corporation (largest food service marketer and distributor in North America) calling the area home. Also, there are national and global leaders Clayton Homes, Brunswick Corporation, Keurig Green Mountain, Bush Brothers, Pilot Flying J, and Ruby Tuesday.

The County has seven business parks and a Technology Corridor to meet a wide range of corporate facility needs. The Forks of The River Industrial Park has 1,615 acres. EastBridge Business Park has 800 acres. WestBridge Business Park has 250 acres. Pellissippi Corporate Center has 150 acres. Hardin Business Park is a light industrial park with 95 acres. CenterPoint Business Park is a commercial park with 60 acres. The 44-acre I-275 Business Park was sold to Sysco Corp.

A proposed 275-acre business park off Midway Road was approved in 2016 by the Metropolitan Planning Commission and the Knox County Commission. It is expected to be several years before any development occurs, but when complete, it could add about 2,200 new jobs to the area.

The County had about 13,077 businesses and the MSA had 20,731 businesses operating in 2017. The vacancy rate for these buildings was 16.4%. The County had 469 manufacturing facilities in 2017 and the MSA had 874 for the same period.

Knoxville-Oak Ridge Innovation Valley Inc. is an investor-directed program for five counties designed to recruit, retain and expand business growth throughout the Innovation Valley region. The organization is focused on technology-led economic development, as well as education and workforce development. These two areas of focus represent key differentiators in this plan of work.

The Pavilion at Turkey Creek (the "Turkey Creek"). Turkey Creek is the largest single commercial development ever built in the metropolitan area of Knoxville. Designed for mixed use and beautifully landscaped, Turkey Creek boasts more than 300 acres of space zoned for retail shopping outlets, medical facilities, theaters, office space, banks, restaurants and hotels. The developers of Turkey Creek also created a 58-acre nature preserve and designed greenways throughout the site. Being only three miles from the junction of Interstate 75 and 40 to the west and 14 miles from downtown Knoxville makes the site a quick drive from the urban center, suburban Knoxville, and rural counties.

Source: Knox News Sentinel and Knox County Metro Planning Commission 2018.

TRADE AREA

Because of its central location in the eastern United States, the Knoxville area serves thousands of industrial and commercial customers in a concentrated eight-state area. Fifty-three percent (53%) of the United States population lives within 650 miles of the County and approximately one-third of the population of the United States (70 million people) live within one day's drive.

The area is the trade center for a 42-county area in East Tennessee, Kentucky, Virginia and North Carolina, which serves over 2 million persons. It is also the cultural, tourist and professional center for this area.

RETAIL

Knox County is the major wholesale and retail center for eastern Tennessee, southeastern Kentucky, southwestern Virginia and western North Carolina. Four regional malls and 201 shopping centers and factory outlets comprise the retail landscape of the Knoxville area.

RETAIL SALES
(In thousands)

Year	Knox County
2009	$7,963,468
2010	8,057,407
2011	8,661,782
2012	8,926,164
2013	8,931,454
2014	8,815,294
2015	9,360,533
2016	9,928,871
2017	10,173,578

Source: Knox County Metro Planning Commission 2018, the Tennessee Department of Revenue and the Tennessee Department of Economic and Community Development.

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HOUSING AND CONSTRUCTION

HOUSING UNITS

Year	Total Units	Owner Units	Renter Units	Vacancy Rate
1980	125,777	74,569	43,382	6.0%
1990	143,582	85,369	48,270	5.1%
2000	171,439	105,562	52,310	7.9%
2010	192,729	119,078	58,097	8.1%

Source: U.S. Bureau of Census 1980, 1990, 2000, 2010.

TOTAL BUILDING PERMITS
IN THE KNOXVILLE & KNOX COUNTY

FY Ending June 30	Number	Valuation
2012	1,687	$579,432,000
2013	1,982	566,337,000
2014	2,502	633,130,000
2015*	1,993	408,300,000
2016*	3,070	446,900,000
2017*	3,188	518,800,000

** Residential Building Activity only*
Source: 2018 Knox County Metropolitan Planning Commission.

AGRIBUSINESS

In addition to being a manufacturing and distribution center, the County ranks second among the five metropolitan counties of Tennessee in agricultural production. The County's principal crops are barley, tobacco, corn, wheat, hay, vegetables and fruits. Cattle farming and dairying are also important farming activities. Meat packing and preparation of other food products have shown a steady increase in the County in the last several years.

LEISURE BOAT MANUFACTURING

Leisure Boat Manufacturing. Due to the Tennessee Valley Authority (the "TVA") system of lakes and rivers, East Tennessee is an excellent place to test boats without worrying about hurricanes while being near the Interstate crossroads. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to the City gives the surrounding communities the benefits of year-round, low-cost water transportation and a port on the nation's 10,000-mile-inland waterway system. It takes a week to deliver the yachts too large for the interstate from the reservoir down the series of locks on the Tennessee River, along the Tennessee-Tombigbee Waterway, then on to the Gulf of Mexico and beyond. This system, formed largely by the Mississippi River and its tributaries, effectively links the River with the Great Lakes to the north and the Gulf of Mexico to the south.

Boat manufacturers in the area listed by county are below:

Knox County:	Bullet Boats, and Sailabration Houseboats
Monroe County:	Sea Ray Boats, Mastercraft Boats, Yamaha-TWI and Bryant Boats
Blount County:	Skier's Choice, Allison and Stroker Boats
Loudon County:	Malibu Boats
Cumberland County:	Leisure Kraft Pontoons
Campbell County:	Norris Craft Boat Company

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SCIENCE AND ENERGY

History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955, the Atomic Energy Commission sold the homes and land to the residents. In 1959, the residents voted in favor of incorporation under a modified city manager-council form of government.

Since the 1940's, the nuclear industry has been the largest employer for the City of Oak Ridge and Roane and Anderson Counties when a weapons fabrication division was built by the U.S. Corps of Engineers. As part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process to be utilized in the world's first atomic bomb. Some 80,000 workers were hired for emergency construction of the laboratories and offices on the 56,000-acre site. At the peak of production during the war, 23,000 employees kept the separation units working at a cost of $500 million for the entire project.

Today, the DOE occupies approximately 33,000 acres and almost 1,200 buildings within the Oak Ridge city limits, and employs over 13,000 in engineering, skilled and semi-skilled crafts, technical and administrative support. Since October 1999, DOE has contracted with the University of Tennessee and Battelle to manage the ORNL. UT-Battelle began management of the lab on June 1, 2000. Consolidated Nuclear Security, a Bechtel-led contractor team, took over management of the Y-12 nuclear weapons plant effective July 1, 2014 (BWXT, Inc. was the appointed contractor for the Y-12 Plant). DOE awarded its environmental cleanup contract to Bechtel Jacobs from 1997 to 2011. URS-CH2M Oak Ridge took over the cleanup contract in 2011.

Research

The extensive energy research and development conducted by private and public agencies make the area one of the world's great research centers. The presence of the University of Tennessee, the ORNL, Oak Ridge Associated Universities and the Tennessee Valley Authority (the "TVA") makes Oak Ridge a prime location for research facilities, as well as technology-based and conventional manufacturing industries. Science is a worldwide business, and the facilities at DOE in Oak Ridge have attracted a large number of technical people and their families. ORNL campus also houses visiting scientists and researchers that come to work at the world-class facility in an $8.9 million Guest House (built in 2010) with 47 units.

<u>BioEnergy Sciences Center (the "BESC")</u>. BESC is one of only three sites in the country operated by one of the DOE's new bioenergy research centers. It opened in ORNL in 2007. BESC works to accelerate research in the development of cellulosic ethanol and other biofuels, and make biofuel production cost competitive on a national scale. The new site received $135 million in federal funding. The University of Tennessee serves as one of the academic partners, providing specialized instrumentation, plant breeding technologies and new microbe discovery. Energy crops like switchgrass, which can be grown on marginal crop land, can produce affordable, domestic renewable fuel without raising food or feed costs. The BESC is dedicated to studying how to economically break down the cellulose in those sources to convert it into usable sugars for ethanol production.

<u>Oak Ridge National Lab.</u> ORNL is a multi-program science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

ORNL also boasts having the Spallation Neutron Source accelerator project (described below) and several supercomputers for scientific purposes. These unique projects bring about 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. Each job created is expected to have an impact on housing, retail banking, automobile and transportation, hotels, restaurants, hospitals, and business services.

The world’s most powerful neutron science project is the *Spallation Neutron Source* (the “SNS”) at ORNL. The giant research complex, spread across 75 acres on Chestnut Ridge a couple of miles from the main ORNL campus, is the world's top source of neutrons for experiments. The SNS is an accelerator-based neutron source built in Roane County by DOE. The SNS provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At a total cost of $1.4 billion, construction began in 1999 and was completed in 2006. In 2009, SNS reached full power when it set the world record in producing beam power three times more powerful than the previous world record. More neutrons are produced with a higher beam power.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products. The medical field will also be impacted with new drugs and medicines expected from experiments at the SNS.

ORNL is also completing a series of upgrades at the *High Flux Isotope Reactor*. This ORNL facility is sometimes referred to as the lab's "other" billion-dollar machine. It is the world's most powerful research reactor, and it is used to perform experiments similar to - but different from - those to be done at the Spallation Neutron Source.

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes 449 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed five supercomputers - the “Summit”, ranked the fastest supercomputer in the world as of June 2018, the new exascale computer “Frontier” that has yet to be completed, the “Titan”, the “Kraken”, and the now dismantled “Jaguar”. “Summit”, built by IBM, is the third computer at Oak Ridge to be ranked number one. The “Titan” was the world’s fastest at its November 2012 debut, and the “Jaguar” while in operation held the title twice in November 2009 and June 2010. The machines work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

The “Summit” supercomputer cost an estimated $200 million to build and is used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. “Summit” also serves as an artificial intelligence and deep learning computer, capable of analyzing massive amounts of data and automating critical steps of the discovery process.

The “Summit” was operational in 2018 and is eight times faster than the “Titan”. “Summit” is able to make over 140 quadrillion calculations per second, measured as 140 petaflops. Due to all the energy and heat produced by the calculations, “Summit” produces more heat per square centimeter than tiles on the bottom of a spaceship re-entering Earth's atmosphere. Therefore, “Summit” is cooled by water pumped through plates that sit on top of the computer's chips. In all, “Summit” uses up to 15 megawatts, equivalent to the power 9,000 to 18,000 homes would consume, depending on the time of day. At peak, “Titan” uses about 9 megawatts.

The uncompleted “Frontier” exascale computer ORNL hopes to have built by 2021 will be 50 times faster than the “Summit”. This exascale computer will replace the “Titan”.

The National Oceanic and Atmospheric Administration (the “NOAA”) sponsors the “Titan”, funded with Recovery Act money. NOAA awarded Cray and ORNL a $47 million contract to provide the supercomputer “Titan” to work on climate research. The Cray supercomputer, the “Titan”, was online in late 2012 after several years of development to replace the “Jaguar” supercomputer at ORNL. When the “Titan” was listed as the world’s fastest computer in late 2012 it marked the fourth time a computer from ORNL has achieved that distinction since 1953. The “Titan’s” purpose is to support research in energy, climate change, efficient engines and materials science. “Titan” is capable of a peak performance of about 27-petaflops. That speed is about 10 times the capability of the first “Jaguar”, which at one time was the world's fastest computer. The total cost of the “Titan” was estimated to be about $100 million, but about $20 million was saved by reusing much of the “Jaguar” structure.

The DOE and the National Science Foundation (the “NSF”) sponsor the supercomputer “Kraken” which came online in 2009. The NSF awarded the University of Tennessee (the “UT”), ORNL and other institutions a $65 million grant to build “Kraken” to work on a range of scientific challenges, such as climate change and new medicines. UT’s “Kraken” is housed with the ORNL’s “Titan”.

Through interagency agreements, DOE's Oak Ridge facilities have launched a highly successful "work for others" program. Local firms contract with numerous federal agencies to provide services and products. The value of these contracts have grown from approximately $50 million in 1983 to $270 million in recent years.

In early 2009 and in 2012 ORNL dedicated two solar arrays, respectively. The first one is a 288-foot span of solar array panels that provides 51.25 kilowatts of power to the lab's grid. The latest array cost $800,000 and provides 200 kilowatts. These arrays will offset nearly half of the power use in one of ORNL's research facilities and expand a green initiative known as the "sustainable campus" project.

Tennessee Valley Authority (the "TVA"). TVA provides support, technology, expertise, and financial resources to existing businesses and industries in its service area, including the County, to help them grow and be more efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

University of Tennessee. The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

National Institute for Mathematical and Biological Synthesis (NIMBioS) is a first-of-its-kind institute dedicated to combining mathematics and biology to solve problems in both scientific fields. The center is funded by a 2008 $16 million award from the National Science Foundation and is located at the University of Tennessee. A unique aspect of NIMBioS will be its partnership with the Great Smoky Mountains National Park. The park and its Twin Creeks Science Center play a key role in the institute's work, with the park serving as a testing ground for many of the ideas that come from NIMBioS. Partners in NIMBioS include the US Department of Agriculture and the US Department of Homeland Security, IBM and ESRI, a developer of software and technology related to geographic information systems. It draws over 600 researchers each year to Knoxville.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

Nuclear

Integrated Facilities Disposition Program. The DOE has approved a massive $18 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated building at ORNL and the Y-12 nuclear weapons plan. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 45 years to complete.

In 2015, $424 million was set aside for the environmental cleanup activities in Oak Ridge.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office $1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, $1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: $239 million to ORNL, $292 million to Y-12, $144 million to East Tennessee Technology Park and $80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

A former gaseous diffusion building was torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. The K-25 Building was part of a series of mammoth buildings to enrich uranium for weapons and fuel for nuclear power plants. The building went into operation in 1951 and was shut down in 1987. The building in size equated to 6 1/2 football fields under one roof. Demolition was completed at the end of 2007. The gigantic K-25 building, a mile-long U-shaped structure that processed the uranium in WWII, was demolished in 2010.

Y-12 National Security Complex. The Y-12 National Security Complex is another large federal plant in Oak Ridge. The ongoing functions of the Y-12 plant are to support the DOE's weapons design labs, recover U-235 from spent nuclear weapons and provide support to other government agencies.

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. The National Nuclear Security Administration (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is by 2020 to have only two facilities where there used to be 700 buildings.

Contractors have already demolished dozens of World War II era buildings at Y-12, about a million square feet since 2001, to reduce the surveillance and maintenance costs, and to support the new programs. Some new office buildings already have been built, including the Jack Case Center that holds about a third of the workforce, or around 1,500 employees. This $58 million, 420,000-square-foot office building was completed in the summer of 2007. A new 137,000-square-foot visitor's center and auditorium, for about $18 million, was also completed in 2007.

The $549 million *Highly Enriched Uranium Materials Facility* at Y-12, a storage complex for weapons-grade uranium, was completed in late 2008. This storage facility replaced multiple aging facilities and allows for storage of its uranium stocks in one central location that represents maximized physical security with minimal vulnerabilities and operating costs. It is designed to protect the large cache of U-235 against any type of terrorist assault. The facility is currently over 85% storage capacity of bomb-grade uranium.

The *Uranium Processing Facility* (the "UPF") Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost $6.5 billion. In 2018, the last approval from the DOE was given to build the final three buildings that will make up the UPF. The $6.5 billion project will be the largest construction project the state has ever seen, and the project is expected to create more than 2,000 jobs during peak construction. The design phase began in 2006, construction began in 2009, and the facility should be in operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs. See "RECENT DEVELOPMENTS" for more information.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

Solar and Renewable Energy

Tennessee was an early leader among southeastern states in developing its renewable energy resources. The southeastern region's first major wind farm, located on Buffalo Mountain near Oliver Springs, Tennessee, began operating as a 2-megawatt facility in 2000. Its generating capacity has since been expanded to 29 megawatts. Two utility-scale solar photovoltaic facilities in McNairy County, Tennessee, are the largest in the state and have a combined capacity of 40 megawatts.

In 2015, Knox County installed 5 megawatts of solar photovoltaic systems on the rooftops of several county buildings to provide more than $29 million in energy savings to the county over the next three decades. (See "RECENT DEVELOPMENTS" for more information.)

Tennessee Valley Authority (the "TVA"). As of 2018, TVA has contracted or installed around 400 megawatts of solar generating capacity, has more than 1,200 megawatts of wind power, and over 50 megawatts from burning organic garbage. About 13 percent of TVA's power comes from renewable sources, with 3 percent of that comes from wind and solar (it is projected to increase to 5 percent by 2025).

TVA operates eight solar power facilities in Tennessee, including a 97-kilowatt facility at Finley Stadium in Chattanooga, Tennessee. Tennessee is one of the top three hydroelectric power producers east of the Rocky Mountains due to the many TVA hydroelectric power plants located on the Tennessee and Cumberland River systems. Hydroelectric power, although variable, has been contributing about one-eighth of the state's net generation in recent years. Biomass, primarily from wood and wood waste, also contributes a small amount to the state's net generation. TVA also uses methane gas from the Memphis wastewater treatment plant to boost generating capacity at one coal-fired power plant, increasing the plant's capacity by 8 megawatts.

Tennessee Solar Institute. Located in Knoxville, the Tennessee Solar Institute is part of the Volunteer State Solar Initiative with UTK and ORNL. The objective of the initiative will be to find ways of reducing the cost of producing solar energy and ways to store energy until needed. Among other purposes, it brings together scientists, engineers and technical experts with business leaders, policymakers and industry workers to help speed the deployment of solar photovoltaic technology. It is designed to be a home for regional and state initiatives that foster the creation of new businesses.

Solar Manufacturing Plants. East Tennessee has several manufacturing plants. In East Knoxville, Efficient Energy built a 1.2 megawatt solar panel site with Natural Energy Group to be used for local research and education (see "RECENT DEVELOPMENTS"). In Roane County near the ORNL, a smaller array of 200-kilowatts was online in 2012 with plans to expand into the Brightfeld One Project. In Bradley County, the $2.5 billion Wacker Polysilicon plant created 650 jobs to produce silicon used for the solar energy industry. The plant was operational in early 2016. Also in Bradley County, a new $30 million, 9.5-megawatts solar park is providing power to the Volkswagen Plant in Chattanooga.

In West Tennessee, Sharp Electronics in Shelby County (Memphis) has a large array consisting of nearly 4,160 solar panels for $4.3 million that cover the plant's roof to generate about 200 kilowatts of power. Sharp Electronics also has produced over 2 million solar panels since 2003 and has over 480 employees. The West Tennessee Solar Farm in Haywood County has two solar arrays that came online in 2012: a $31 million, five megawatt generating facility uses more than 21,000 panels, and another solar array that generates 1 megawatts of energy.

Efficient Energy of Tennessee. Efficient Energy, in partnership with Natural Energy Group, built a solar panel site in East Knoxville in 2010. The site has more than one megawatt worth of solar panels on a five-acre lot. The 4,608 solar panels can produce nearly 1.2 megawatts of electricity, enough to power about 125 homes. The site is also a resource for local research and educational organizations, such as the Oak Ridge National Lab, Cleveland State Community College and Pellissippi State Community College.

Source: U.S. Department of Energy (Energy Information Administration), Memphis Commercial Appeal, the Knoxville News Sentinel and the University of Tennessee.

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EMPLOYMENT

For the month of June 2019, the unemployment rate for Knoxville stood at 4.0% with 96,966 persons employed out of a labor force of 100,966. For the month of June 2019, the unemployment rate for Knox County stood at 3.6% with 242,619 persons employed out of a labor force of 251,703.

The Knoxville MSA's unemployment for June 2019 was at 3.9% with 425,001 persons employed out of a labor force of 442,384. As of June 2019, the unemployment rate in the Knoxville-Sevierville-Harriman-LaFollette CSA stood at 3.9%, representing 546,835 persons employed out of a workforce of 569,208.

Unemployment

	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**	Annual Average **2018**
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.8%	3.3%
Knoxville	**6.1%**	**5.2%**	**4.4%**	**3.4%**	**3.1%**
Index vs. National	98	98	90	77	86
Index vs. State	92	93	94	89	94
Knox County	**5.4%**	**4.7%**	**4.0%**	**3.2%**	**2.9%**
Index vs. National	87	89	82	73	81
Index vs. State	82	84	85	84	88
Knoxville MSA	**6.1%**	**5.2%**	**4.4%**	**3.6%**	**3.3%**
Index vs. National	98	98	90	82	92
Index vs. State	92	93	94	95	100
Knoxville-Sevierville-Harriman CSA	**6.4%**	**5.5%**	**4.6%**	**3.7%**	**3.4%**
Index vs. National	103	104	94	84	94
Index vs. State	97	98	98	97	103

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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TEN LARGEST EMPLOYERS

The major areas of employment in Knox County are the services, retail trade and government. Comparatively, both the state and the nation show a heavier concentration in manufacturing than does Knox County.

The following is a list of the major sources of employment in the Knoxville MSA:

Ten Largest Employers in the County

Name	County	Industry	Employment
Covenant Health Alliance[1]	Knox	Health Care	10,419
Knox County Public Schools	Knox	Education	7,881
The University of TN, Knoxville	Knox	Education	6,689
University Health System	Knox	Health Care	5,316
Tennova Health System[2]	Knox	Health Care	4,001
State of Tennessee	Knox	Regional Government	3,529
K-VA-T Food Stores (Food City)	Knox	Retail	3,328
Knox County	Knox	Government	3,204
Tennessee Valley Authority[3]	Knox	Power	3,017
City of Knoxville	Knox	Government	2,637

[1] Includes Ft. Sanders Reg Med Center, Parkwest, Methodist Med Center & all other Covenant Hospitals in the area.
[2] Includes all Tennova Health System hospitals in the area.
[3] Includes Corporate headquarters in Knoxville, Bull Run Steam Plant, Norris and Corryton with 1,271 TVA employees and 1,746 contract employees.

Source: Greater Knoxville Chamber of Commerce and the News Sentinel – 2018.

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EMPLOYMENT BY MAJOR INDUSTRY

A diversified economy is credited for the stability of local employment and wages. Non-Farm Employment by industry (excluding self-employed) for the Knoxville MSA in 2018:

Industry	Employment Number
Total Non-Farm Employment	**397,200**
Total Private	336,500
Total Public	60,700
Goods Producing	**59,700**
Mining, Logging, Construction	19,500
Manufacturing:	40,200
Durable Goods Manufacturing	29,400
Nondurable Goods Manufacturing	10,800
Service-Providing	**337,500**
Trade, Transportation, Utilities:	76,800
Wholesale Trade	16,700
Retail Trade	46,400
Transportation, Warehousing, Utilities	13,700
Information	5,700
Financial Activities	19,300
Professional and Business Services	64,400
Educational and Health Services	53,100
Leisure and Hospitality	42,500
Other Services	15,000
Government:	60,700
Federal	4,500
State	20,500
Local	34,800

Source: Knoxville-Knox County Metropolitan Planning Commission.

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DEMOGRAPHICS

POPULATION

Between 2000 and 2010 the population of the nation is estimated to have increased by approximately 9.7%, the state of Tennessee by 11.5% and Knox County by 13.1%.

	Population (In Thousands)			Percent Change	
	2010	**2000**	**1990**	**2000-2010**	**1990-2000**
Knox County	432	382	336	13.1%	13.79%
Tennessee	6,346	5,689	4,877	11.5%	16.65%
United States	308,745	281,422	248,710	9.7%	13.15%

Source: U.S. Bureau of the Census

The median age of the County's population is 37.0 years. The breakdown of population by age and sex based on the 2010 census for the Knoxville MSA is shown below.

2010 U.S. Census
Population by Age

Age	Total	Percent of Total
<20	108,133	25.1%
20-29	67,602	15.7%
30-39	56,906	13.1%
40-49	60,026	13.8%
50-64	83,068	19.2%
>65	56,491	13.1%
Total	**432,226**	**100.0%**

Source: Bureau of the Census, U.S. Department of Commerce.

PER CAPITA PERSONAL INCOME COMPARISONS

Historically, due to the County's predominantly commercial economic base, the County's level of per capita income has exceeded the State level each year. The following chart shows the per capital personal income for the County, the MSA and the CSA of the area.

Per Capita Personal Income

	2013	2014	2015	2016	2017
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
Knox County	**$41,765**	**$43,747**	**$45,744**	**$46,577**	**$48,160**
Index vs. National	93	93	93	93	93
Index vs. State	106	107	107	106	106
Knoxville MSA	**$38,267**	**$39,816**	**$41,611**	**$42,547**	**$43,903**
Index vs. National	85	85	85	85	85
Index vs. State	97	97	97	97	96
Knoxville-Sevierville-Harriman CSA	**$36,786**	**$38,233**	**$39,953**	**$40,847**	**$42,102**
Index vs. National	82	81	82	82	82
Index vs. State	93	93	93	93	92

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

NUMBER OF FAMILIES BY INCOME RANGE
In Knox County

	Number of Families			Percentage of Families		
	2010	**2000**	**1990**	**2010**	**2000**	**1990**
Under $10,000	15,739	5,983	9,735	8.7%	6%	10%
$10,000 - $14,999	9,724	4,370	7,705	5.4%	5%	8%
$15,000 - $24,999	25,141	11,424	16,094	13.9%	11%	18%
$25,000 - $49,999	50,339	29,507	33,171	27.9%	29%	37%
$50,000 and over	79,768	49,625	24,652	44.1%	49%	27%
Total	**180,711**	**100,909**	**91,357**	**100%**	**100%**	**100%**
Median Income	$45,380	$49,182	$32,614			

TRANSPORTATION

The area has excellent transportation facilities by rail, air, river and highway. Both the Norfolk Southern and CSX Railroads have terminals and stops in the County, with lines radiating in nine directions. Pellissippi Parkway (I-140) provides a direct link to Oak Ridge from I-40 and I-75 in Knox County. Major highways serving the County include U.S. Highway 44, 129, 321, 411 and 441 as well as State Routes 33, 75 and 95.

McGhee Tyson Airport. The McGhee Tyson Airport is the principal commercial airport in East Tennessee, serving the commercial airline industry, air cargo, military aviation and general aviation. With parallel 9,000 feet runways, McGhee Tyson Airport can accommodate any size aircraft. The Airport is located within the city limits of Alcoa 12 miles south of downtown Knoxville. The airport occupies more than 2,000 acres of land with space for additional air cargo facilities or economic development. This facility is owned and managed by the Metropolitan Knoxville Airport Authority.

According to a 2012 study by the University of Tennessee's Center for Transportation Research, the airport contributes over $616 million to the local economy (including Anderson, Blount, Knox, Loudon and Sevier Counties) every year. The report examined the employment, business and tax impacts of the airport, including the Downtown Island Airport.

The Metropolitan Knoxville Airport Authority (MKAA) was established in 1978 as an independent nonprofit agency to own and operate McGhee Tyson Airport and Downtown Island Airport. The Authority's nine-member Board of Commissioners is appointed by the Mayor of Knoxville and confirmed by City Council. This board determines the policies for the current Airport Authority staff of 150 employees in six departments. The board appoints a President who serves as the chief administrator and executive officer. All of the revenues are generated by user fees and rental income so no taxpayer dollars are used to support airport operations.

Two air cargo services provide daily service. In addition, six passenger airlines carry air cargo on most flights. More than 40,359 tons of airfreight annually pass through its cargo facilities. Federal Express and United Parcel Service are the main couriers.

McGhee Tyson Airport has several major airlines serving 22 non-stop destinations including Atlanta, Chicago, Dallas/Ft. Worth, Denver, New York, Orlando and Washington D.C. With more than 120 arrivals and departures each day and more than 4,000 seats available, McGhee Tyson Airport is one of the most convenient and accessible regional airports in the nation.

The airport is served by two low-fare carriers: Allegiant Air and Frontier Airlines. Allegiant Travel Company is focused on linking travelers in small cities to world-class leisure destinations such as Destin/Ft. Walton Beach, Florida; Ft. Lauderdale, Florida; Las Vegas, Nevada; Orlando, Florida; Punta Gorda, Florida; Tampa/St. Petersburg, Florida; and Washington, D.C. Through its subsidiary, Allegiant Air, the Company operates a low-cost, high-efficiency, all-jet passenger airline offering air travel both on a stand-alone basis and bundled with hotel rooms, rental cars and other travel related services. Frontier Airlines started flight in the summer of 2011 from Knoxville to its hub in Denver, Colorado.

McGhee Tyson is served by major and regional carriers including:

Major Airlines:		***Regional Carriers:***	
Allegiant Air	Frontier Airlines	American Eagle	United Express
Delta Airlines	United		

Source: Metropolitan Knoxville Airport Authority.

These airlines connect passengers with service to several hub airports across the nation on more than 120 flights daily.

McGhee Tyson Airport

Total Year	**Commercial Passengers**	**Total Air Cargo in Pounds**
2009	1,680,716	82,304,377
2010	1,688,882	93,393,658
2011	1,773,671	92,390,849
2012	1,747,145	91,514,071
2013	1,676,374	84,029,942
2014	1,738,133	74,115,672
2015	1,747,472	77,395,631
2016	1,827,989	84,831,987
2017	1,988,626	82,884,887
2018	2,221,137	81,363,507

Source: Metropolitan Knoxville Airport Authority.

McGhee Tyson Airport has undergone many improvements in the past few years. The most recent was in 2017 when the runway and taxiway system was upgraded for $108 million.

TACAir is McGhee Tyson Airport's general aviation services provider. In addition to providing fuel and services to commercial carriers, they also accommodate the general aviation industry, which includes corporate aviation, charter flights, flight schools and people who fly as a hobby.

The Tennessee Air National Guard's 134th Air Refueling Group operates 10 aircraft at McGhee Tyson Airport. The Guard's KC-135E tankers provide refueling to the country's military aircraft. In addition, the Army Aviation Support Facility, the 110th and 119th Tactical Control Squadrons and the 228th Combat Communications Squadron operate on the base.

Downtown Island Home Airport. Knoxville's Downtown Island Home Airport, located five minutes from downtown, serves as another home base for smaller and privately owned airplanes. The Island Home Airport is a 150-acre general aviation facility with a 3,500-foot runway. It is home to nearly 140 private and corporate aircraft, with 24 hours a day service available.

Waterways. Fifteen miles away is the head of the Tennessee River navigation channel in Knoxville. This river is part of the Interconnected Inland Water System that links Knoxville with 21 states, the Mississippi River and the Great Lakes. Linkages may be made to the entire inland waterway system, allowing shipments to be made by water to Houston, Tampa, Pittsburgh, Minneapolis and Little Rock.

Six active river terminals handle barge shipments throughout the area. The Tennessee-Tombigbee Waterway links East Tennessee with 13 other states and the Gulf of Mexico. This 234-mile canal connects 16,000 miles of waterways throughout Tennessee, Mississippi and Alabama leading to the Port of Mobile and the Gulf of Mexico. This Waterway shortens the shipping between Tennessee and the Gulf of Mexico by 882 miles and enables East Tennessee products to arrive at their Gulf destination from eight to nine days earlier. The development of the Tennessee-Tombigbee Waterway has been a catalyst for the development of industry and agriculture throughout the area. Barge shipping has always been a popular alternative to rail in East Tennessee because of the existence of the Inland Water System.

Knoxville has a Foreign Trade Zone and is an inland Port of Entry with a U.S. Customs Office. In 1988, Knoxville was given its Foreign Trade Zone designation by the U.S. Department of Commerce. This designation allows manufacturers to ship foreign raw materials and components to parts of Knoxville and store them duty free in Knoxville until used. In May 1991, the Foreign Trade Zone was activated.

EDUCATION

Knox County School System. The County operates 88 schools. Included are five magnet schools offering enhanced arts and science curriculum and a Science, Technology, Engineering, and Mathematics (STEM) Academy. In fall 2018, total public school enrollment was 60,752, while the system employed 3,927 teachers. In addition to public education, there are 51 private and parochial schools offering elementary and secondary instruction in Knox County.

Source: Tennessee Department of Education and Knox Metropolitan Planning Commission.

Post-secondary education is available at 11 public and private four-year institutions in Knox County and the surrounding area. The University of Tennessee's main campus is in Knoxville. Pellissippi State Technical Community College and Roane State Community College offer two-year programs for technical and associate degrees along with four other vocational/technical institutions. There are four business colleges located in the area.

University of Tennessee, Knoxville (the "UT" or "UTK"). UTK is one of the oldest land-grant universities in the nation. There are over 230 buildings on a 600-acre campus. Blount College, UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2018 enrollment of 28,894 students, UTK is the largest campus in the University of Tennessee System (the "System"). According to the U.S. News and World Report, UTK ranked 52nd among the nation's best public universities in 2019.

The System is a statewide institution governed by a 26-member Board of Trustees appointed by the governor of Tennessee. Institutions of the System are UTK, UT Health Science Center in Memphis, UT Chattanooga, UT Martin, UT Space Institute in Tullahoma, and UT Institute for Public Service in Knoxville. In addition to the primary campus, the Agricultural Campus houses the UT Institute of Agriculture, a statewide administrative unit that includes the College of Veterinary Medicine, the College of Agricultural Sciences and Natural Resources, the Agricultural Extension Service and the Agricultural Experiment Stations.

UTK is a major research institution, attracting more than $130 million in externally sponsored programs annually. The Division of Aeromedical Services is one of the country's most respected and comprehensive aeromedical programs. UTK is a co-manager with UT-Battelle, LLC of the nearby Oak Ridge National Lab (the "ORNL"). UT-Battelle, LLC was established in 2000 as a private not-for-profit company for the sole purpose of managing and operating the ORNL for the U.S. Department of Energy (the "DOE"). Formed as a 50-50 limited liability partnership between the UTK and Battelle Memorial Institute, UT-Battelle, LLC is the legal entity responsible for delivering the DOE's research mission at ORNL. Faculty and students experience unparalleled research and learning opportunities at the DOE's largest science and energy lab.

UTK conducts externally-funded research totaling more than $300 million annually, including some $17 million annually in research sponsored by ORNL. Areas of joint research with ORNL include the Bioenergy Science Center's work on cellulosic ethanol; the Center for Computational Sciences' partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science.

To meet the growing demand for pharmacists, a second UT College of Pharmacy building opened on the Knoxville campus in fall 2007 and enrolled an additional 225 students. The three-story building is adjacent to the Health Science Center's Graduate School of Medicine. The UT College of Pharmacy will extend its reach across the state by adding Clinical Education Centers in Chattanooga, Jackson, Kingsport and Nashville.

The System and its statewide campuses bring in over $2 billion in annual income to the State and support more than 50,000 jobs. UTK also generates an estimated $237.6 million in state and local tax revenue per year. Students and visitors attending athletic events at each campus spent approximately $348 million, accounting for $147.3 million in income and 4,879 jobs.

Source: University of Tennessee, UT-Battelle and the News Sentinel.

Johnson University – Tennessee. Johnson University-Tennessee is a private, coeducational institution of higher learning offering associate, bachelor's and master's degrees about 12 miles from Knoxville. Founded in

1893, Johnson University-Tennessee is the second oldest continuing university in America. The purpose of the University is to educate students for specialized Christian ministries with emphasis on the preaching ministry. In the fall of 2018, total enrollment was 776 for the 350-acre campus.

Source: Johnson University.

Oak Ridge Associated Universities (the "ORAU"). ORAU is a consortium of 121 universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU works with its member institutions that include UTK and its satellite campuses. The purposes are to help their students and faculty gain access to federal research facilities throughout the country; to keep its members informed about opportunities for fellowship, scholarship, and research appointments; and to organize research alliances among its members. Through the Oak Ridge Institute for Science and Education (the "ORISE"), the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, and faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment.

Source: Oak Ridge Associated Universities.

Pellissippi State Community College (the "PSCC"). Since its founding in 1974 as State Technical Institute at Knoxville, PSCC has expanded the teaching of technology, the use of technology in instruction, and the transfer of technology to local business and industry in support of regional economic development. Enrollment for fall 2018 was listed as 10,894. PSCC continues to support and develop career/technical associate's degrees and institutional certificates, university parallel associate's degree programs, and continuing education opportunities for the citizens of Knox, Blount, and surrounding counties. PSCC has been named one of the 200 fastest-growing community colleges in the nation, according to Community College Week. PSCC has released a 2018 report showing the school has pumped more than $346 million annually into the Knoxville-area economy over the last 5 years.

Five campuses make up PSCC. The main campus is the Hardin Valley Campus in west Knoxville. The Division Street Campus and the Magnolia Avenue Campus, which opened in 2000, are also in Knoxville. A $22 million campus was completed in late 2010 in Blount County. The Strawberry Plains campus began offering coursework in August 2012.

Source: Pellissippi State Community College and TN Higher Education Commission.

Roane State Community College (the "RSCC"). RSCC, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2018 enrollment was 5,688 students. Designed for students who plan to transfer to senior institutions, RSCC academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences.

RSCC's 138-acre main campus is centrally located in Roane County where a wide variety of programs are offered. RSCC has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in west Knoxville.

Source: Roane State Community College.

South College. South College is a private institution that has been a part of Knoxville since 1882. With the main campus facility is located on Lonas Drive, South College has 5 campuses in Tennessee, Georgia and North Carolina. Throughout its history, South College has endeavored to meet the demands of the East Tennessee business community. South College offers a Master's of Health Science in Physician Assistant Studies and baccalaureate degree programs including Pharmaceutical Science (Pre-Pharmacy), Nursing, Health Science (Radiography/Nuclear Medicine), Elementary Education, Business Administration, and Legal Studies. Current associate degree programs include Radiography, Physical Therapist Assistant, Paralegal Studies, Business Administration, Accounting, and Medical Assisting. Nuclear Medicine and Post-Baccalaureate Program (Elementary Education K-6) are the certificate programs offered.

Source: South College.

Tennessee College of Applied Technology-Knoxville (the "TCAT-Knoxville"). TCAT-Knoxville is part of a statewide system of 27 vocational-technical schools. TCAT-Knoxville meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. TCAT-Knoxville's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. TCAT-Knoxville serves the central east region of the state including Knox and Blount

Counties. TCAT-Knoxville began operations in 1966, and the main campus is located in Knox County. Fall 2018 enrollment was 1,137 students.

Source: Tennessee College of Applied Technology-Knoxville.

Tusculum College Graduate and Professional Studies Program (the "Tusculum"). Tusculum maintains offices in Knoxville for its Graduate and Professional Studies Program, in addition to other class sites across East Tennessee. Located in Greeneville, Tusculum is a private college affiliated with the Presbyterian Church. Tusculum was founded in 1794, making it the oldest college in Tennessee and the twenty-eighth oldest college in the nation. Fall 2018 enrollment was 885. The wooded 140-acre Tusculum campus has eight buildings and the Tusculum Arch that are listed on the National Register of Historic Places. Tusculum is one of three colleges in the country to operate on a focused calendar, in which courses are scheduled one at a time.

Source: Tusculum College.

MEDICAL FACILITIES

Knoxville serves as a regional medical center for 27 counties in East Tennessee and Kentucky. The available technology, the specialized institutions, and a reputation for quality health care bring people into Knoxville from a 200-mile radius. There are 2,418 beds in nine acute care hospitals in the County, including three healthcare systems (Covenant Health Care, Tennova Health System and University of Tennessee).

Source: Knox Metropolitan Planning Commission and the News Sentinel.

Covenant Health

Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. Covenant Health, headquartered in Knoxville, has ten acute-care hospitals plus inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 10,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians.

Covenant Health includes 30 member organizations, nine of which are acute care hospitals in East Tennessee: Fort Sanders Regional Medical Center and Parkwest Medical Center in Knoxville, Methodist Medical Center in Oak Ridge, Fort Loudon Medical Center in Lenoir City, LeConte Medical Center in Sevierville, Roane Medical Center in Harriman, Morristown-Hamblen Healthcare System in Morristown, Cumberland Medical Center in Crossville and Claiborne Medical Center in Tazewell. It also includes Peninsula Hospital, a psychiatric hospital in East Tennessee's Blount County. Covenant Health also operates numerous other healthcare facilities for outpatient clinics, cancer centers, breast centers, behavioral health, rehabilitation, home health and weight management facilities.

Over the last few years, the largest hospital operator in the area has built new or expanded facilities in Sevier, Loudon, Anderson, Cumberland and Knox counties. It recently finished construction for a $150 million expansion project at Fort Sanders Regional Medical Center in Knoxville as well as for a new $50 million hospital in Roane County.

Fort Sanders Regional Medical Center (the "Fort Sanders"). Part of Covenant Health, Fort Sanders is a 541-bed full-service acute care hospital with about 589 doctors located in the Fort Sanders community of downtown Knoxville. The hospital was built in 1919 and has about 1,704 employees, and had 16,585 admissions in 2016. In 2013, Fort Sanders received national recognition as a comprehensive stroke center; they are the second Tennessee hospital to receive this award. This certification from the Joint Commission on Accreditation of Healthcare Organizations means that the medical center is recognized as having the infrastructure, staff and training to receive and treat complex cases. Fort Sanders is a regional referral center for neurosurgery, neurological disorders, orthopedics, oncology, cardiology, obstetrics and rehabilitation medicine. Fort Sanders offers a variety of specialized services such as a 24-hour Chest Pain Center, one-day surgery, electrodiagnostics, a Sleep Disorders Center, a Diabetes Center, prenatal education, and sports medicine. A $150 million expansion was completed for the facility in 2010.

Parkwest Medical Center (the "Parkwest"). Part of Covenant Health, Parkwest is the region's only Top 100 Heart Hospital (which the hospital has been named eight times). Parkwest has 462 beds with over 600 doctors on staff. The total employment is about 1,968, and there were 17,240 admissions in 2016. The campus includes one of the area's first all-digital catheterization laboratories and a comprehensive breast center with a multidisciplinary approach to women's health. Peninsula Behavioral Health is a division of Parkwest Medical. See "RECENT DEVELOPMENTS" for more information on a three year renovation that began in 2018.

Tennova Healthcare

Tennova Healthcare is a for-profit healthcare system and has several acute care hospitals in Knoxville and the surrounding area. Florida-based Health Management Associates Inc. bought Mercy Health Partners in 2011 and changed the name to Tennova Healthcare. Tennova Healthcare and Health Management Associates were acquired by Community Health Systems, Inc. (the "CHS"), based in Brentwood, TN. CHS is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease 106 hospitals in 18 states with approximately 17,000 licensed beds. There are ten CHS hospitals in Tennessee.

Tennova Healthcare facilities include the following: Turkey Creek Medical Center (Knox County), Jefferson Memorial Hospital (Jefferson County), Newport Medical Center (Cocke County), and LaFollette Medical Center (Campbell County). Dyersburg Regional Medical Center (Dyer County), Regional Hospital of Jackson (Madison County) and Volunteer Community Hospital (Weakley County) were sold by Tennova to West Tennessee Healthcare in 2018.

North Knoxville Medical Center. Part of Tennova Healthcare, North Knoxville Medical Center opened in the fall of 2007 in north Knox County. The full-service facility has 108 beds. In early 2018 it was announced that North Knoxville Medical Center will expand its cancer care services and undergo renovation to add cardiac catheterization laboratories and operating rooms so it can begin taking cardiac care and orthopedic, general and vascular surgeries originally performed at Physicians Regional. It is expected to be completed by 2020.

Turkey Creek Medical Center (the "Turkey Creek"). Part of Tennova Healthcare, Turkey Creek Medical Center has 101 beds in west Knoxville. Turkey Creek has a 24-hour, full-service, all-digital campus, with a completely staffed emergency department that cares for men, women and children of all ages. Every patient room is a private room. An intensive care unit, state-of-the-art surgical suites, imaging services, rehabilitation services and specialized staff and physicians bring groundbreaking, comprehensive treatment. In early 2018 it was announced that Turkey Creek will convert its existing obstetrical beds to general medical/surgical beds and will add operating rooms and intensive care unit beds to accommodate more general and cardiovascular surgeries originally performed at Physicians Regional. It is expected to be completed by 2020.

East Tennessee Children's Hospital (the "Children's")

Located in Knoxville, Children's is a private, independent, not-for-profit pediatric medical center. There are 152 beds with 412 doctors on staff, representing 32 pediatric subspecialties. A total of 1,802 people are employed at the hospital, and there were 5,759 admissions in 2016. Children's originally opened in 1937 and is the only Comprehensive Regional Pediatric Center in East Tennessee certified by the state. Pediatric services offered include ICUs, emergency services, outpatient clinics for oncology, hematology, diabetes, cystic fibrosis and a rehabilitation center. (See "RECENT DEVELOPMENTS" for more information.)

University Health System, Inc. (the "UHS")

UHS is a regional health system that is comprised of the UT Medical Center, the UT Heart Hospital, UT Health Network and various partnerships and joint ventures with physicians and healthcare companies. UHS is affiliated with the University of Tennessee Graduate School of Medicine and numerous regional hospitals and physician organizations. UHS supports and collaborates with the UT Graduate School of Medicine and other academic endeavors as part of its commitment to excellence in education and research.

University of Tennessee Medical Center (the "UT Medical Center"). The UT Medical Center in Knoxville is an acute care teaching hospital with 640 beds and more than 550 doctors. The UT Medical Center employs 5,144 people and had 29,350 admissions for 2016. Designated as the region's Level I adult and pediatric Trauma Center by the State of Tennessee, UT Medical Center provides the highest level of programs and emergency services. Critically ill patients are transported to UT Medical Center via one of LIFESTAR'S two helicopters.

Special care units such as cardiac care, open heart, medical intensive care, neuro-respiratory, and trauma surgical intensive care are available for patients who require maximum medical attention. A Level IV Intensive Care Nursery, a Pediatric Intensive Care Unit, a newborn nursery and many other programs comprising Children's Health Services enable UT Medical Center to provide the region's most comprehensive medical services for infants and children. UT Medical Center also serves as the Regional Perinatal Center. The UT Heart Hospital was opened in 2010. The Cancer Institute finished construction in 2012.

Source: Covenant Health, Tennova Healthcare, East TN Children's Hospital, University Health System and the News Sentinel.

KNOXVILLE AREA HOSPITALS

Hospital	Beds	Employees	Type	Service
East Tennessee Children's	152	2,358	Non-Govt/Non-profit	Child Care
Fort Sanders Parkwest Medical Center	462	1,968	Non-Govt/Non-profit	Gen. Med/Surg.
Fort Sanders Regional Medical Center	541	1,704	Non-Govt/Non-profit	Gen. Med/Surg.
North Knoxville Medical Center (Mercy Medical Center, North)	108	497	Non-Govt/Non-profit	Gen. Med/Surg.
Turkey Creek Medical Center (Mercy Medical Center, West)	101	526	Non-Govt/Non-profit	Gen. Med/Surg.
University of Tennessee Medical Center	609	5,144	Non-Govt/Non-profit	Gen. Med/Surg.
Total	**1,973**	**12,197**		

Source: Tennessee Hospital Association.

UTILITIES

Electricity. In Knoxville, the most used energy sources are electricity and natural gas. The Knoxville Utilities Board (KUB) distributes electrical power generated by the Tennessee Valley Authority (TVA).

TVA was created by an act of Congress in 1933 to control floods and to produce electrical power along the Tennessee River and its tributaries.

TVA's install generating capacity of 32.2 million kilowatts consists of 55% coal-fired, 18% nuclear, 14% hydroelectric, 8% gas combustion turbines, and 5% hydroelectric pumped storage. Additional nuclear capacity of approximately 5 million kilowatts is in various stages of completion for meeting future needs.

Electrical power is available with few restrictions to suit the customer's needs. The region enjoys an abundance of power at competitive rates. The electrical power supply is very reliable. Occurrences of small area outages are rare and most are caused by severe thunderstorms.

Natural Gas. Knoxville Utilities Board provides natural gas to Knoxville and Knox County. KUB distributes natural gas supplied by East Tennessee Natural Gas.

Water. Water service within the City of Knoxville is provided by KUB from Fort Loudon Lake, which is fed by two major rivers and is an unlimited source for the area's treated water supply. KUB has rated treatment capacity of 60 million gallons per day. Sewer service within the City limits is provided by the Knoxville Utilities Board, Bureau of Water/Waste Water. Currently sewer service operates with a full treatment capacity of 60 million gallons per day. In Knox County, outside the City of Knoxville limits, water service is supplied by six utility districts.

LIBRARIES

Knox County Public Library System. The System operates the main branch, Lawson-McGhee Library, in downtown Knoxville, as well as 18 other branches. The size of the collection is 1,541,625.

Other libraries in the area are the Calvin Morgan McClung Historical Collection, the Knox County Archives, University of Tennessee Libraries and TVA Library. Medical libraries and nearby libraries of Oak Ridge, Maryville and special libraries of federal agencies, and Oak Ridge National Laboratories all combine to make Knoxville a major learning center with information easily accessible to everyone.

COMMUNICATIONS

Knoxville has one daily newspaper, *The Knoxville News-Sentinel* that is published every morning. In 2016 the Daily Circulation was more than 60,000 readers and Sunday Circulation was 79,000 readers throughout a 27-county area. *USA Today*, the *New York Times*, and the *Wall Street Journal* are among the many nationwide newspapers available on Knoxville's newsstands and by same-day subscription service.

Knoxville is served by fourteen television stations including four national television networks, one public broadcasting service and one independent station.

There are 49 radio stations serving Knoxville.

Bell South and three additional operating telephone companies provide local telephone service. AT&T and five other private companies offer long distance service.

Digital cable and high speed Internet access are provided by Comcast, Knology, and Charter. BellSouth provides a high capacity fiber optic network.

The U.S. Postal Service operates a main office in West Knoxville and nine branch stations throughout the community. It offers overnight service along with 12 other courier services.

FINANCIAL INSTITUTIONS

There are several banks and credit unions with offices in Knox County. The following table provides a listing of the banks operating in Knox County as presented in the Bank Directory of Tennessee:

KNOX COUNTY BANKS
as of February 2017

American Trust Bank	FSG Bank
B B & T Bank	Home Bank of Tennessee
Bank East	Home Federal Bank of Tennessee
Bank of America	Knox County Credit Union
Bank of Tennessee	Knoxville Credit Union
Bank Untied	National Bank of Commerce
Branch Banking & Trust	New South Credit Union
CBBC	ORNL Credit Union
Chase	Pinnacle National Bank
Citizens Bank	Regions Bank
Citizens National Bank	Simmons Bank
Citizens Savings & Loan	Smart Bank
Civis Capital	Sterling National
Clayton Bank & Trust	SunTrust Bank
Community South Bank	Teacher's Credit Union
Fidelity Bank	Tennessee Credit Union
Fifth Third Bank	Tennessee State Bank
First Century Bank	The Trust Company
First Citizens Bank	TVA Credit Union
First Commercial Bank	Union Bank
First National Bank	US Bank
First People's Bank	UT Federal Credit Union
First Tennessee Bank	Wells Fargo Bank
First Volunteer Bank	

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TOURISM

RECREATION AND CULTURAL ACTIVITIES

Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourist business contribute to the City's economic base in the sense that income is drawn into the region resulting in employment and investment opportunities in tourist-related facilities.

This influx in tourist-related income provides stimulus to economic development in the area. In recognition of the important role tourism plays in the economy of the County, local authorities created Visit Knoxville. The organization's purpose is to encourage tourism and tourist-related activity.

Sports. Knox County has over 6,415 acres of park and recreation space, including 19 recreation centers, four senior citizen centers, four skateparks, seven dog parks, ten public golf courses, and approximately 183 miles of greenway and walking trails. Just three miles from downtown is 1,000 forested acres and 50 miles of multiuse trails known as Knoxville Urban Wilderness.

The Tennessee Smokies provide AA minor league baseball in neighboring Sevier County. The Knoxville Ice Bears provide professional hockey at the Coliseum October through March. National championship UTK sports teams, including the 2007 and 2008 NCAA National Champion Lady Vols, draw thousands of enthusiasts to games each year. The City is also home to the Women's Basketball Hall of Fame.

State and National Parks. The County is the principal gateway area to the Great Smoky Mountains National Park (the "GSMNP"), located 40 miles to the southeast. The beauty of the Great Smoky Mountains has always attracted visitors to this region. 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. The Tennessee side of the GSMNP received 6.3 million visitors in 2016, more than twice the number of any other national park in the country. Major attractions in the Smokies are Gatlinburg (40 miles southeast of the City), a tourist town in the mountains with overnight accommodations for 60,000 people, and Pigeon Forge (20 miles southeast of the City), a tourist town at the foothills of the mountain with overnight accommodations for 40,000 people. Numerous restaurants, gift and craft shops, along with ski lodge, ski lifts and tramway, make Gatlinburg a year-round resort town. Pigeon Forge is known for being home to hundreds of retail outlets and Dollywood, a theme park named for the country music singer, Dolly Parton.

Other parks and recreational areas in the Greater Knoxville area include: Big South Fork National River and Recreational Area 100,000 acres; Frozen Head State Natural Area 11,562 acres; Norris Dam State Resort Park 4,000 acres; Big Ridge State Park 3,687 acres; Cumberland Mountain State Park 1,720 acres; Panther Creek State Park 1,400 acres; Cove Lake State Recreational Area 667 acres; Roan Mountain State Resort Park 600 acres; Fort Loudon State Historical Area 500 acres; Indian Mountain State Park 213 acres; Warriors' Path State Recreational Park 500 acres; Trail of the Lonesome Pine: State Scenic Trail 35 miles; and Cumberland Trail: Section II: Tennessee Scenic Trails System Act 31 miles.

Lakes and Wildlife. Seven TVA lakes surround Knoxville and provide year-round fishing and boating. There are no closed seasons on TVA waterways. Area lakes provide over 3,425 miles of shoreline and 266 square miles of water surface.

Alpine Skiing. Ober Gatlinburg Ski Resort in Sevier County and Cumberland Gardens Resort in nearby Cumberland County offer convenient facilities for winter skiing.

Conventions, Events and Festivals. Special seasonal events include the Dogwood Arts Festival in the spring and December's celebration, Christmas in the City. Knoxville supports an active tourism and convention trade with a 500,000-square-foot convention center located downtown at World's Fair Park. Other local facilities are a large civic coliseum/auditorium, two exhibition halls, and UTK's 22,000-seat Thompson Boling Arena.

Cultural Activities. The General James White Memorial Civic Auditorium and Coliseum Complex, the historic Tennessee Theatre and the Bijou Theater host a variety of performances, including the Knoxville Symphony Orchestra, touring Broadway productions, ice shows, circuses, concerts of all types and the professional hockey team, The Knoxville Ice Bears. Local radio station WDVX hosts a live radio broadcast weekdays downtown called "The Blue Plate Special" where nationally known artists and area performers appear free of charge.

The University of Tennessee Theaters continue to provide a wealth of entertainment and culture to Knoxvillians. The Clarence Brown Theater, UTK's premier performance space, seats 600 in a proscenium theater. The Clarence Brown Theater Company is dedicated to the classics of the stage and produces three full scale and one or two touring productions each season. The Carousel Theater is UTK's smaller theater which holds 250-300 people.

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 East Tennessee History Center, McClung Museum of Natural History and Culture, Museum of Appalachia, and Beck Cultural Center, celebrate regional heritage.

Other popular events in Knoxville are presented by the Knoxville Symphony Orchestra, Knoxville Opera, the Appalachian Ballet Company, Circle Modern Dance Company, Carpert Bag Theatre, Tennessee Stage Company, Tennessee Valley Players, Knoxville Choral Society, and the Tennessee Children's Dance Ensemble, the only professional dance troupe for children in the country.

Ijams Nature Center. Ijams Nature Center is a nonprofit environmental education and resource center located on 300 acres on the banks of the Tennessee River in South Knoxville. The area encompasses woods, meadows, sinkholes, a spring-fed pond, and informal perennial gardens connected by a series of trails. The park has been developed to display East Tennessee's ecological systems at work and provide a conservation area for wildlife indigenous to the park. A number of high-quality programs, events, and environmental information are available to schools, the media and the general public.

Knoxville Zoological Gardens (the "Zoo Knoxville"). Zoo Knoxville is recognized as one of the top 20 zoos in America. It is located on 80 acres and has more than 1,000 species of animals. Zoo Knoxville has the largest "big cat" collection in the United States and is home to the first African Elephant birth in the United States. Zoo Knoxville is also home to the newly developed Gorilla Valley, where three baby gorillas were born during 2015 and 2016. The gorillas are the first of the endangered species to be born at the park and the first born in Tennessee in 30 years. Zoo Knoxville has a collection of red pandas and is the world leader in captive breeding of this rare breed. In addition, a critically endangered red wolf pup was born at the zoo in April 2016; the male pup is the first red wolf born at the zoo in 23 years.

Source: Knoxville News Sentinel and the Knox County Metro Planning Commission 2018.

RECENT DEVELOPMENTS

Following are some recent developments within the boundaries of the City and County and the Knoxville MSA that have had a direct economic impact on the area. The source for statistical information below is the Knoxville Area Chamber Partnership, the City of Knoxville, the Knoxville-Knox County Metropolitan Planning Commission, the Knoxville News Sentinel and The Daily Times.

EAST KNOX COUNTY

Fresenius Medical Care. The German company Fresenius Medical Care located its East Coast manufacturing facility in Knoxville in 2016. The company is a renal services provider. The $140 million project brings a dialysis production plant to the city's old Panasonic building and creates about 665 jobs.

Keurig Green Mountain. In early 2016, a group of investors led by JAB Holding Company acquired Keurig Green Mountain. In 2009, an $8 million investment in the plant added coffee processing equipment and coffee silos. In 2014, Keurig Green Mountain built a $4 million expansion of its Knox County operation to boost efficiency, without many jobs created. Keurig Green Mountain's Knoxville operation employs about 950 people in 2015. Keurig Green Mountain is a privately held company and remains an independent entity run by its existing management team. The company started production in late 2008 at a new 334,000-square-foot facility in Forks of the River Industrial Park. The company invested about $55 million dollars on the plant and had a staff of about 25.

Knox County Detention Center. The Detention Center in east Knoxville installed in 2015 over 300 solar panels, five solar storage tanks, 65 concrete pads and more than 6,000 feet of copper piping to make it one of the largest solar thermal systems for domestic use in the nation. Trane, Knox County and FLS Energy partnered to save Knox County $60,000 annually in switching from natural gas to solar power as the primary way to heat water for the detention center's 1,036 inmates. The project was funded by a $1.88 million grant from the U.S. Department of Energy. The County also renovated and upgraded 40 facilities, 24 parks and 37 traffic intersections with the grant money. The total project is expected to save the County about $6 million annually.

Leisure Pools. Leisure Pools, which makes composite swimming pools, announced in 2013 that it was moving its headquarters to Knox County and creating about 240 jobs. The company acquired the old Sea Ray facility in the Forks of the River Industrial Park for about $4.5 million. Many of the laid-off Sea Ray employees have transitioned to the new company since much of the same equipment and systems used by the boat company will be used by Leisure Pools.

Lifetime Products. The Utah-based plastics company broke ground in May 2016 on a $115 million, 720,000-square-foot manufacturing facility at the Forks of the River Industrial Park. The plant is expected to generate 500 new jobs. This facility will produce the company's line of water sport products including kayaks and paddleboards, as well as their outdoor Play System line of products.

Melaleuca. Located in the Forks of the River Industrial Park, Melaleuca is expanding its operations and will hire up to 500 more workers in the next 10 years. A 222,000-square-foot distribution center was opened in mid-2010. Melaleuca produces nutritional supplements, cleaning supplies, personal care and other products and sells these through workers who operate as direct marketers. The company has been operating in Knoxville since 1993.

WEST KNOX COUNTY

ADT Corporation. An expansion to ADT's facilities and workforce in 2013 resulted in the addition of about 300 more workers. ADT provides electronic security for residential and small business customers in the U.S. and Canada. Its Knoxville center has about 300 workers and, following a recent upgrade, the facility is now ADT's IT Disaster Recovery Center.

Cellular Sales Verizon Wireless. Cellular Sales Verizon Wireless is a Knoxville-based company that operates authorized Verizon Wireless stores nationwide. In 2014, the company expanded its facility in West Knoxville, resulting in 250 new jobs. The company operates nearly 500 stores across the country. The Knoxville-based company is the nation's largest premium Verizon retailer.

Comcast. Comcast's call center hired 250 additional employees, part of the mass media company's move to enhance nationwide customer care. The jobs were filled before the end of 2017. The move allows Comcast to answer more calls in an efficient and timely manner. The expansion is part of a national Comcast hiring wave, with a projected 5,500 new jobs to be created across America within the next three years. The changes have greatly affected the Knoxville branch, a 96,000-square-foot facility that underwent a $7 million dollar facelift in 2015.

East Tennessee Healthcare Center. Construction was completed in 2014 on a $119 million proton therapy center in the East Tennessee Healthcare Center. ProNova, a division of Provision Health Alliance, installed three cyclotron parts for its compact proton therapy system. The two-room ProNova SC360 system uses patent-pending superconducting magnet technology to treat cancer patients. It will be the first in the world to treat patients in this manner. The system is smaller and more cost effective than traditional proton therapy systems. The system came online in December of 2014, has gained FDA Clearance, and began treating patients in 2017.

The development is situated on 120 acres in the 90,000-square-foot Dowell Springs Business Park, a central location to physicians, hospitals, and area residences. The project has an estimated $1.5 million annual economic impact that will create 1,250 construction jobs and 100 full time employees. Proton therapy is a noninvasive and painless form of precision radiation treatment that has minimal to no side effects. It is expected to treat up to 1,500 patients per year. There are about 10 proton therapy centers operating in the country.

Initial construction of Dowell Springs Business Park was completed in 2009 and includes a $35 million medical office development, consisting of two buildings which offer 175,000 square feet of clinical and office space. The Knoxville Comprehensive Breast Center and Tennessee Cancer Specialists are the anchor tenants of the office space. Plans for the grounds support the East Tennessee Healthcare Center's holistic approach to wellness and healthy living with "walking paths, waterfalls and beautiful mountain views."

Parkwest Medical Center. Parkwest Medical Center broke ground in 2018 on a $99 million expansion and renovation that is expected to be completed by 2021. The project includes both adding on to the existing facility and new construction to give the hospital a "campus-like design", with more street-level parking. The two main phases of the project should be completed in June 2019 and January 2020.

Pilot Flying J Travel Centers. In 2017, Berkshire Hathaway purchased a minority share in the Knoxville-based Pilot Flying J, the largest operator of travel centers in North America with 750 locations and more than $20 billion in revenues. Until 2023, Berkshire Hathaway will have 38.6 percent equity stake while the Haslam family will hold a majority interest with 50.1 percent ownership. After 2023, Berkshire Hathaway will become the majority shareholder with 41.1 percent stake with the Haslam family dropping to hold 20 percent ownership.

Scripps Networks. Discovery Communication bought Scripps Networks Interactive for $14.6 billion in early 2018. Part of the sale will mean that its pre-recorded transmission functions will be moved from Knoxville to Virginia by the end of January 2019. The number of layoffs has yet to be announced. The Travel Channel (part of the Scripps Networks) moved its headquarters from Maryland to Knoxville in 2016. About 100 employees moved with the company. Scripps Network relocated its corporate headquarters in 2010 to the City from Cincinnati. The company's technical center - which includes satellite uplink operations, a control center for all its television networks and a wide range of other administrative, business and creative functions - is also based in the City. Scripps Network is the home of Home and Garden TV network and had revenues totaling $3.6 billion in 2017.

TeamHealth. In 2016, Physician services company TeamHealth announced an expansion of its Knoxville headquarters due to anticipated growth over the next three to five years. The company will invest $6.7 million to construct additional office space adjacent to its current headquarters in west Knoxville. The company also plans to add 250 jobs in Knox County.

Tennova Healthcare. Tennova Healthcare announced in early 2018 its Knoxville hospitals - Turkey Creek, and North Knoxville Medical Center - will undergo restructuring and moving of services between the facilities and to include some renovations. The changes are expected to be completed in 2020. There are no expected layoffs to occur.

NORTH KNOX COUNTY

Physicians Regional Medical Center (the "Physicians Regional"). The Physicians Regional Medical Center was closed by Tennova Healthcare at the end of 2018. Tennova has announced plans to build a new medical center in West Knoxville.

WS Packaging Group, Inc. WS Packaging opened a new $43 million expansion in 2014 of its current operations by opening a new location in the PBR building in northwest Knox County. The expansion increased operations and consolidated its Knoxville facilities. The expansion brought 231 new jobs.

SOUTH KNOX COUNTY

Regal Entertainment Group. In early 2018, Regal Entertainment Group was acquired by Cineworld Group. Cineworld Group is based out of London and is the United Kingdom's largest cinema operator. Regal said it is committed to keeping its HQ in Knoxville and maintaining a strong presence in the city after the merger, saying it would "remain business as usual."

Regal is currently headquartered in North Knox County; Regal Entertainment Group intends to move its corporate headquarters to a nine-story office building on the former Baptist Hospital site on Knoxville's south waterfront.

South Knoxville Waterfront. Demolition of the former Baptist Hospital site was completed in 2015 to make way for the new project. The South Knoxville Waterfront project will include: a $60 million Riverwalk at the Bridges apartment complex that will house up to 600 residents to be completed in late 2019; a $40 million 303 flats student apartments completed in fall 2018, and Regal Entertainment completed a $12 million makeover of the former medical office building in late 2017.

DOWNTOWN BUSINESS DISTRICT

Bassmaster Classic. In March of 2019, the GEICO Bassmaster Classic was held in downtown Knoxville on the Tennessee River. The Economic impact during the competition was $32.2 million with 153,000 people in attendance. This exceeded the economic impact and attendance made in the prior year's Bassmaster Classic held in South Carolina.

The $32.2 million breaks down into a direct economic impact of $17.7 million and an indirect boost of $14.5 million in business sales, according to a report by the Visit Knoxville Sports Commission. Roughly $2.75 million was generated in state and local tax revenue, including taxes on sales, restaurant purchases and lodging, according to the release. Attendees from nearly every state and from countries as far as Australia, Italy and Japan paid for 29,232 nights in local hotels, according to Visit Knoxville. In addition to media that work for B.A.S.S, the event organizer, more than 250 credentialed media members from 28 states and six foreign countries attended the event. Of the 153,000 people who attended the Bassmaster Classic, a record 92,819 people attended the Bassmaster Classic Outdoors Expo at the Knoxville Convention Center and World's Fair Exhibition Hall, according to turnstile counts.

Community Health Alliance. The nonprofit insurer, Community Health Alliance, announced in November 2015 that it would cease offering insurance coverage in 2016, resulting in 148 lay offs at the end of 2015.

Converted Apartments. Several notable downtown buildings have been converted into apartment spaces. A former office property, the Medical Arts Building, was converted to 49 apartments with some retail spaces in 2014. It is located close to the courthouses and has an attached parking garage. The Tailor Lofts building on Gay Street was also converted into nine apartments plus a ground-floor restaurant.

East Tennessee Children's Hospital. The non-profit Children's Hospital completed a $75 million expansion in November 2016. The expansion offers over 245,000 square feet of new space, including a 44-bed, private room Neonatal Intensive Care Unit, a new perioperative surgery center, two levels of parking and enhanced family areas, such as roof-top gardens. Additional renovations to 71,900 square feet of the original building were completed in Fall 2017.

Farragut Hotel. Dover Development Corporation received an incentive package from the Knoxville Industrial Development Board in 2015 to freeze the property taxes at their current rate before the property is redeveloped. Demolition began in late 2015 and plans call for four storefronts. Hyatt Place opened a hotel in the historic building in 2018.

Fort Sanders Apartments. A Georgia firm bought up property near the Fort Sanders Hospital for $6.3 million to build 240 student apartments. Construction began in 2015 and rentals began in 2017.

Fort Sanders Regional Medical Center. Fort Sanders Regional Medical Center announced in 2018 plans for a $115 million expansion to the hospital that includes new critical care and intermediate care beds and emergency department rooms over the next 12 to 24 months. In addition to new beds, the expansion will create easier access to the facility and improved parking.

Gulf & Ohio Railways. The Knoxville Locomotive Works operation of the Gulf & Ohio Railways, a Knoxville-based short line railroad, renovated its existing facility to begin producing locomotives based on its fuel-efficient prototype. This $6 million expansion created 203 jobs for the company and was operational in 2014.

Local Motors. Local Motors will produce its newest car, the LM3D Swim, at a Knoxville factory that opened in early 2017. The Knoxville site is the company's first digitally enabled microfactory, meaning it can 3-D print finished pieces directly from digital designs with no tooling or casting. The LM3D Swim will be manufactured mostly through 3-D printing with some traditionally made automotive components. The Knoxville factory will launch with four or five 3-D printers and have the capacity to produce about 2,400 vehicles a year. The factory will also serve as a retail showroom. The car is expected to cost about $53,000, depending on customization choices.

Marble Alley Lofts. Just off Gay Street, a developer began construction in 2014 on a 238-unit apartment complex. The project was in development since 2009. The first phase of construction, completed in February 2016, includes an internal parking garage with the apartment building foundations built surrounding the garage. Additional retail and commercial space is planned for the second phase.

Solar Arrays on County-Owned Buildings. In 2015, the County installed 5 megawatts of solar photovoltaic systems on the rooftops of several County buildings. The $12.5 million project is expected to provide more than $29 million in energy savings to the county over the next three decades. Along with the Knox County Central building, a total of 11 schools and three other public buildings have solar panels. The solar array at the L&N Stem Academy is connected to a kiosk so that students can participate in monitoring the system.

Scapa Healthcare. Scapa Healthcare officials announced in 2018 that the company will expand its Knoxville operations. The global supplier and manufacturer of adhesive-based products will invest approximately $40 million and create more than 85 new jobs in Knox County. Scapa Healthcare plans to consolidate its three buildings in Knoxville into a single location in Knox County. The company will construct a more than 150,000-square-foot facility in the Knoxville-area to expand operations and keep up with growing demand.

Scapa Healthcare is a global supplier of bonding solutions and a manufacturer of adhesive-based products for the healthcare and industrial markets. The company has a global footprint with production sites in Asia, Europe and the U.S.

Tennessee Valley Authority (the "TVA"). TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933 (the "TVA Act"), as amended. TVA Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region. TVA, a corporation owned by the U.S. government, provides electricity for utility and business customers in most of Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia — an area of 80,000 square miles with a population of 9 million. The utility operates 29 hydroelectric dams, 8 coal-fired power plants, three nuclear plants, 16 natural gas-fired power facilities, 14 solar energy sites, and one wind energy site and supplied 152 billion kilowatt-hours of electricity in fiscal year 2017.

In 2014, 750 employees voluntarily retired or resigned from TVA. Another 1,000 vacant positions were eliminated to result in the largest staff reduction that the federal utility has undergone in more than 20 years. The goal was to reduce $500 million in annual expenses in 2015.

In April of 2011, TVA announced plans to retire 18 coal-fired units at three of its older fossil plants, effectively closing one of the plants. This action is in an unprecedented agreement with the Environmental Protection Agency, four states and three environmental groups to settle complaints that the federal utility violated the Clean Air Act. TVA's board of directors approved the shutdown of two units at the John Sevier plant near Rogersville, TN, six at Widows Creek in North Alabama and all 10 units at the Johnsonville plant in Middle Tennessee. The permanent shutdowns, called retirements, took place in phases throughout 2017 and affected 300 to 400 workers. The combined idled and retired units will reduce TVA's coal-fired capacity by 2,700 megawatts out of the total 17,000 megawatts generated by the country's largest public utility. The utility also has to invest $3 billion to $5 billion on pollution controls and $350 million on clean energy projects. Penalties include a $1 million to the National Park Service and the National Forest Service and a civil penalty of $10 million to various entities, including the states of Alabama, Kentucky and Tennessee.

In 2007, TVA restarted a nuclear reactor at Browns Ferry in North Alabama. It was the first time the reactor had been at full power in 22 years. TVA spent five years and about $2 billion revamping the reactor. It was the first increase in the United States' nuclear generating capacity since 1996.

The Unit 2 reactor at Watts Bar Nuclear Plant in Rhea County, TN was granted an operating license in October of 2015, nearly 43 years after the original construction permit was awarded. The license allows TVA to load nuclear fuel into the new unit and begin testing of the equipment. Total estimated project cost reached $4.7 billion, and the reactor began producing power for commercial consumption in 2016.

UNIVERSITY OF TENNESSEE

The University of Tennessee Knoxville Campus is undergoing a record $1 billion makeover to transform the look and feel of the campus to improve facilities and infrastructure to become a Top 25 public research institution.

Cherokee Campus. The Cherokee Farm concept came into being in 2001 as a way to further research by UT and ORNL in computational sciences, climate and environment, advanced materials, biomedical sciences, and renewable energy. UT and ORNL started development of the campus with $87 million in capital investments and incentives. This is part of a UT goal to join the ranks of the nation's top 25 public research universities. The former site of UT's 188-acre dairy operation was chosen and development of 77 acres of the property began in 2010. The farm is less than a mile from the Knoxville campus.

The first building, the $47 million, 142,000-square-foot Joint Institute for Advanced Materials facility, opened in early 2016. The rest of the campus will include 16 building sites. These sites, ranging up to 2 acres, should allow a total of 1.6 million square feet of development. Moving research to the Cherokee campus would free up buildings on the main campus, which could be renovated and used for additional administration and instructional space.

The Joint Institute for Advanced Materials building will house seven high-powered microscopes that researchers from UT, ORNL and elsewhere will use in screening and analyzing materials. The work is oriented toward producing strong, lightweight materials for the automotive and aerospace industries. Researchers will also be able to make use of supercomputers "Kraken" at UTK and "Titan" at ORNL.

The first private tenant at Cherokee Farm was announced in May 2016. Civil and Environmental Consultants, Inc. (CEC) is recognized for providing innovative design solutions and integrated expertise in the primary practice areas of civil engineering, ecological sciences, environmental engineering and sciences, survey, waste management and water resources.

Classroom and Science Laboratory Facility. A 22,000-square-foot, $5 million building will house a classroom and science laboratory facility. It is expected to be completed in 2018. It will house research laboratories, a vivarium, classrooms, and faculty offices. It will be between the Jessie Harris Building and the Hoskins Library.

Ken and Blaire Mossman Building. Situated on the former site of three historic houses in the Fort Sanders area, the building will house portions of microbiology, biochemistry, cellular and molecular biology, psychology and nutrition. The $96 million project was completed in September 2018.

Science Laboratory Facility. In early 2015, construction began on the new Science Laboratory Facility, a $114 million nine-story modern science class and laboratory facility at the Strong Hall dormitory site. It will feature 500-seat and 250-seat lecture halls, general purpose classrooms and house the Anthropology and Earth and Planetary Sciences departments. It was completed in Spring 2017.

Steam Plant Conversion. The coal-fired boilers have been removed and replaced with natural gas boilers at the steam plant on campus. The large smokestacks were removed. The conversion cost $25 million and was completed in Summer 2016.

Stokely Athletic Center and Dorm Gibbs Hall. In 2014, demolition was completed on the closed and outdated buildings that were Stokely Athletic Center and Gibbs Hall. The Stokely Athletic Center, the home of the basketball team before the move to the Thompson-Boling Arena, was built in 1958 and was closed in 2012. The Dorm Gibbs Hall was built in 1963 with only the dining services remaining operational in recent years. First, a 1,000-space parking garage was built along Volunteer Boulevard, costing $38 million. Second, UTK built a 600 bed co-ed resident hall with added services like dining. At a cost of $94.3 million, construction was completed in January 2017. And third, an extension to the current Haslam football practice field is planned. According to UTK, a sole private donation funded the $10 million project. The extension was completed in 2018.

Student Union. The new 391,000-square-foot, six-story, $167 million Student Union project began construction in 2014 and will be completed in Spring 2019. It will replace the outdated University Center that was originally built in 1952. It will hold a 50,000-square-foot bookstore, ten dining establishments, a 10,000-square-foot auditorium and a 12,000-square-foot ballroom.

Support Services Complex. Completed in Spring 2016, the new Support Services Complex is a $18.7 million complex that reuses a former industrial facility to house the 91,000-square-foot Department of Facilities headquarters and other units. It will feature offices, warehouses, workshops, labs and fleet parking.

Torchbearer Plaza / Circle Park. The $1.2 million renovation project on the Torchbearer statue at Circle Park was completed in September 2015. The project rebuilt and enlarged the plaza area while renovating the landscaping and lighting.

West Housing Redevelopment. The West Housing Redevelopment project is a multiphase, $234 million project to replace the dining facilities and six residence halls (North Carrick, South Carrick, Reese, Humes, Morrill, and Andy Holt Apartments) with seven new halls and a community dining facility on the Presidential Court Complex. The first new residence hall to be built in 43 years, Fred Brown Residence Hall, opened for the 2014-2015 semester. The others are scheduled to be finished by 2019.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

KNOX COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Knox County for the fiscal year ended June 30, 2018 which is available upon request from the Count

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Knox County, Tennessee

Prepared by Knox County Government's Finance Department

KNOX COUNTY, TENNESSEE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2018
Table of Contents

Introductory Section

OFFICE OF COUNTY MAYOR

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

December 28, 2018

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

The Comprehensive Annual Financial Report (CAFR) of Knox County, Tennessee (the County) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the County. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the various funds of the County and its component units. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

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

State law requires that the County obtain an annual audit of its books and records. The independent audit performed by Pugh & Company, P. C., Certified Public Accountants, has been obtained to fulfill that requirement. The auditors have issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report. The County is also required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this single audit, including schedules of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

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

GOVERNMENTAL STRUCTURE

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

OFFICE OF THE COUNTY MAYOR

Knox County Mayor Tim Burchett took office on Sept. 1, 2010, shortly after the start of the 2010-2011 fiscal year. Mayor Burchett was limited to two terms, and left office on Aug. 31, 2018. During his term, he focused on providing high-quality, efficient service to our citizens at a savings to taxpayers. Some of the achievements of Mayor Burchett’s tenure to date include:

- General Fund balance has increased by over $27 million from the beginning of FY 2011 to the FY 2018 end of year.
- Restored 177 hours of operation per week within our public library system with no additional impact on the budget.
- Increased purchasing transparency by implementing first-in-the-state online, searchable databases for E-commerce card and purchase order transactions.
- Ensured more than $2 million in savings over four years by utilizing public-private partnerships to provide pediatric care, as well as translation services for Knox County Health Department clients.

- Implemented mileage reimbursement at the standard federal rate in lieu of monthly travel allowances, which saved an estimated $78,000 annually.
- Sold unnecessary county vehicles, resulting in thousands of dollars in cost-avoidance savings through reduced maintenance, fuel and liability costs.
- Reduced Knox County’s debt obligations by nearly $45 million since taking office.
- Since taking office in 2010, saved taxpayers approximately $14.5 million in interest savings through bond refinancing opportunities.
- Identified a funding mechanism to use one-time dollars to pay for the construction of a new Carter Elementary School, therefore eliminating a potential $8 million in traditional bond interest payments. The school opened in time for the 2013-2014 school year.
- Opened the two new Gibbs and Hardin Valley Middle Schools in time for the 2018-2019 school year.
- Sold the Solway greenwaste facility property for $2 million; prior to the sale, the upkeep on the property cost taxpayers an average of $245,000 annually.
- Engaged a committee of private sector experts to help advise him on how to address the growing cost of employee health benefits in an attempt to bring those benefits more in-line with the private market; many of the committee’s suggestions were implemented and the changes resulted in projected savings of $1.7 million.
- Supported the Halls and Northeast Knox greenway projects, as well as the Knox-Blount greenway project.
- Constructed and opened the Concord “Pet Safe” Dog Park.
- Restored the stream bank along Beaver Creek at Halls Community Park.
- Made parking improvements at the Knox County Sports Park.
- Opened the new Clayton Park in the Halls Community.
- Opened the new Plumb Creek Park.
- Opened the new Harrell Road Stormwater Demonstration Park.
- Saved the building that formerly was used for the Oakwood Elementary School. The condition of the building had deteriorated, and its future was uncertain. The County worked with developers and others in the private sector to make needed upgrades and repairs to the facility, which is now being used for senior housing. This provides additional services to the community and places the property back on the County tax roll.
- Saved Historic Knoxville High School, which is now being redeveloped for private use.
- Sold State Street properties, which are now used as a mixed-use residential project known as Marble Alley.
- Opened the new Karns Senior Center, bringing the total number of Knox County senior centers to six.
- Worked with the Town of Farragut to execute a proposal to relocate the Strang Senior Center to a larger, more convenient location.

- Helped launch a youth dental program in partnership with the Great Schools Partnership, Knox County Schools and the Elgin Children's Foundation.
- Opened a larger, safer and more efficient Knox County Solid Waste convenience center in the Karns community.
- Opened or expanded two disc golf courses at Powell Station Park and Tommy Schumpert Park.
- Completed 5.3MW solar project that will save taxpayers approximately $14 million over the next 30 years.
- Supported Zoo Knoxville's master plan with a 5-year, $10 million capital commitment.
- Added 70 acres to I.C. King Park, which will lead to improved amenities and a new, safer entrance to the park.
- Led the Midway Business Park rezoning process through a series of public input sessions and public meetings.
- Worked with partners in the Sheriff's Office, City of Knoxville and the State of Tennessee to secure funding and execute a contract with the Helen Ross McNabb Center to operate the Behavioral Health Urgent Care Center, a jail-diversion program aimed at helping those with behavioral and mental health disorders get treatment. The BHUCC is now open and operating.
- Issued an RFP for the sale and redevelopment of the Andrew Johnson Building, a historic building on prime real estate located in downtown Knoxville that currently houses the Knox County Schools administration.

Legislative Initiatives

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

Capital Improvement Initiatives

As evidence of the County's commitment to build the facilities necessary to serve the citizens of Knox County and promote economic development within the County and region, the County Commission adopted the Knox County Capital Improvement Plan on May 22, 2017. At the recommendation of the County Mayor, the five-year capital plan represents a road map of anticipated major capital projects. It does not represent appropriations and is subject to annual revisions or modifications. These individual projects will be primarily funded through general obligation bonded debt.

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

General Construction/Renovation:
- General Project Management
- City County Improvements/Developments
- Various Maintenance Improvements
- Jail Improvements

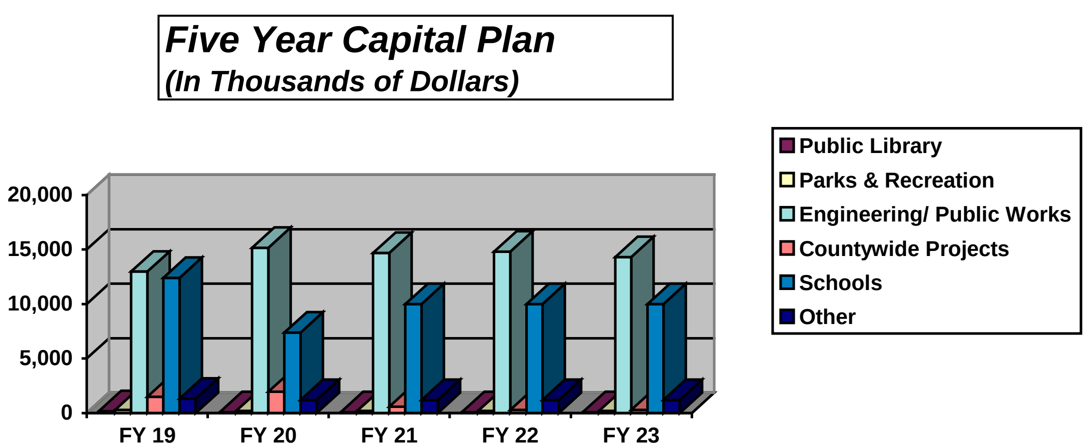
Road Construction/Improvements:
- Parkside Drive Extension
- General Road Improvements
- Karns Connector
- Schaad Road

School Construction/Renovations:
- Physical Plant Upgrades
- Pond Gap Elementary
- Gibbs Middle
- Hardin Valley Middle

School Construction/Renovations:
- HVAC Upgrades
- Energy Management Project
- Security Upgrades

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

Project Description	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	TOTAL
Libraries	$ 183	$ 100	$ 100	$ 100	$ 100	$ 583
Countywide Projects	1,500	1,950	600	300	300	4,650
Parks & Recreation	300	200	200	200	200	1,100
Engineering & Public Works	12,975	15,165	14,695	14,815	14,300	71,950
Building Improvements & Other	1,330	1,200	1,200	1,200	1,200	6,130
Schools	12,400	7,400	10,000	10,000	10,000	49,800
Total – Approved Projects	$ 28,688	$ 26,015	$ 26,795	$ 26,615	$ 26,100	$ 134,213



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

ABOUT KNOX COUNTY

The County is the third most populous county in the State of Tennessee. Located in Middle Eastern Tennessee at the headwaters of the Tennessee River, it is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. The U.S. Census Bureau's 2017 census demographic population data reported that 461,860 citizens reside within the total land area of approximately 526 square miles that make up Knox County. (See Knoxville-Knox County Metropolitan Planning Commission for additional information regarding population information, demographics, and other information about Knox County.) Knoxville, the County seat, is about 50 miles west of the North Carolina state line.

The City of Knoxville's 2017 population was reported at 187,347. It is the largest incorporated municipality in the County. Farragut, the only other municipality in the County, has an estimated population of 22,729. Knoxville has a land area of approximately 104 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee.

Manufacturing and Commerce

Located in the northeastern portion of the State, Knox County, along with Anderson, Blount, Campbell, Grainger, Loudon, Morgan, Roane and Union counties, is part of the Knoxville Metropolitan Statistical Area (MSA). Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 600 miles of approximately 40 percent of the population of the United States. For many years the County has been known as one of the South's leading wholesale markets. Based on 2017 estimates, there were approximately 1,112 wholesale establishments, 1,606 retail establishments, and more than 8,247 service industries located in the County.

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

The MSA includes more than 874 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

Business Climate

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 250 trucking companies, two railroads, six airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area continually receives recognition for high quality of life, combining an attractive natural setting with a moderate four-season climate. In addition, the Knoxville area ranks among the nation's top markets for low cost of living. The Knoxville MSA ranks as one of the top southeastern urban areas with an index of 82 compared to the average of all participating cities of 100. The County has over 6,400 acres of park and recreation space, with approximately 183 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations, including the Clarence Brown Theater, providing numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the historic, beautifully renovated Tennessee and Bijou theaters.

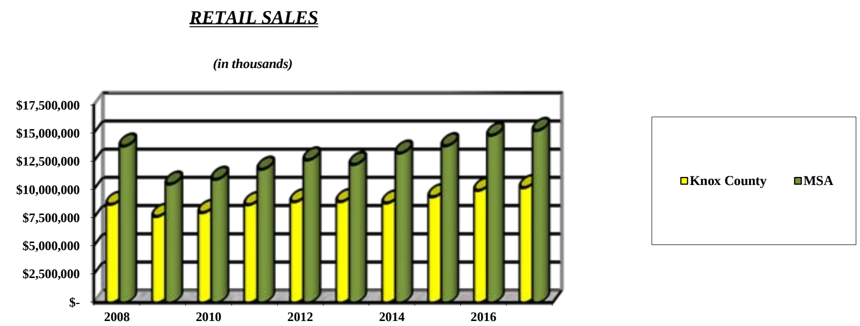
Industrial Investment

The Knoxville MSA has been recognized nationally as a leading location to live and do business. In 2018, The Brookings Institute adjusted the benchmark ranking system for MSAs for which are customarily disclosed within this letter. The Institute determined rankings for three areas of interest for MSAs, growth, prosperity, and inclusion. The Knoxville metro area ranked 51st, 70th, and 11th, respectively, amongst the top 100 MSAs nationally. The Knoxville MSA ranks comparably to the Nashville MSA with rankings of 21st, 73rd, and 22nd, respectively. Commerce and industry vary from the media success of Discovery, Inc. formerly Scripps Television Networks (HGTV, DIY, Food, Cooking, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Keurig Green Mountain, Bush Brothers, Pilot/Flying J Travel Centers, and Denso Manufacturing.

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

Commercial Development

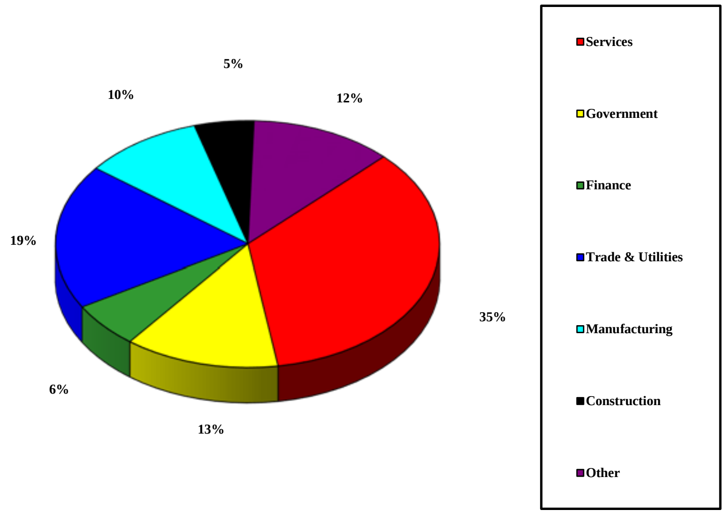
Four regional shopping malls and over 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2017 retail sales in the MSA grossed over $15.2 billion, with approximately 67% of that total generated in Knox County.



Tourism

Although industry frequently is considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourism business contribute to the County's economic base by drawing income into the region, resulting in employment opportunities as well as investment opportunities in tourist-related facilities. The area draws thousands of enthusiasts every year for University of Tennessee sporting events, and minor league hockey and baseball are also available for sports fans. Opportunities for outdoor recreation are plentiful, with parks and recreation activities throughout the County and in the nearby Great Smoky Mountains National Park which had over 11.3 million guests in 2017.

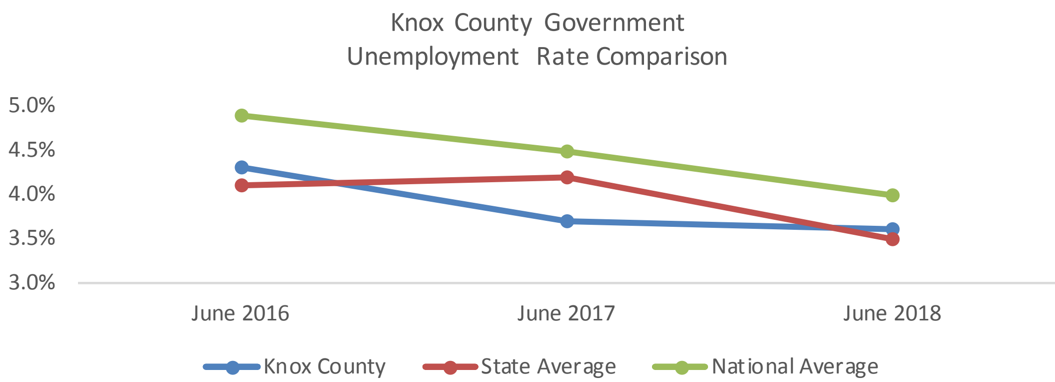
Non-Agricultural Employment



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

Unemployment

Historically, Knox County's unemployment rate has been low relative to the state and national rates. For the month of June 2018, the seasonally unadjusted unemployment rates for the County, state and nation stood at 3.6%, 3.5% and 4.0%, respectively. The County's rate, while moving closer to the nation's, reflects a one tenth of percentage decrease from the corresponding rate from June 2017, and national rate reflects a moderate reduction. The state rate reflects a decrease in response to the prior year increase. These rates indicate improvements in economic conditions for local, state and federal.



Per Capita Income

In 2016, Knox County's per capita income was $46,305. This represents an increase of 3.3 percent compared to 2015. This information is updated every two years.

FINANCIAL INFORMATION

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

For the annual budget process, the FY 2018 adopted budget provided for a modest increase (2.8%) in General Fund expenditures. Most of the budgeted increase was for needed additional expenditures for public safety. Education funding, provided for in the General Purpose School Fund (the general fund for the Board of Education component unit) has also increased by more than $13.3 million. The increases in budgeted funds for public safety and education reflect the Mayor's commitment to ensure that adequate funding is provided for these essential functions. By careful budgeting of expenditures in the overall budget, other essential services to Knox County citizens (road maintenance, parks and recreation, library services, etc.) have been maintained at appropriate levels. Revenues have been estimated conservatively, and actual results exceeded the budget. Much of this was due to local taxes, other local revenues and funding from the State that exceeded originally budgeted estimates.

The planned reduction in the County's bonded debt levels are dependent on both the levels of debt service payments and the amounts of new debt added. Debt service expenditures are provided for in the County's annual budgets, and the amounts of debt retirement have been provided for based on the required upcoming debt service. The amount of new debt to be added is dependent on the amount needed for projects approved in the County's adopted Capital Improvement Plan, which covers the upcoming five-year period. This funding mechanism provides for a matching of debt service expenditures with the useful lives of the assets acquired with the bond proceeds. In order to reduce the overall levels of bonded debt, it has been necessary to reduce the approved projects to be funded from debt proceeds. This reduction is being accomplished. The total bonded debt as of June 30, 2018 of $619,565,080 is $71,621,388 less than the balance of $691,186,468 at the end of fiscal year 2011. This change resulted from the payments of bonded debt exceeding new issuances during this seven-year period for which Mayor Burchett was responsible for recommending the budget. Additional reductions are planned in future years to accomplish the Mayor's stated goal of reducing County bonded debt.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Knox County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The County has also received, for the twenty-third consecutive time, the GFOA Award for Distinguished Budget Presentation for its 2018 Annual Operating Budget. In qualifying for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

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

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

Sincerely,

Chris Caldwell
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knox County

Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

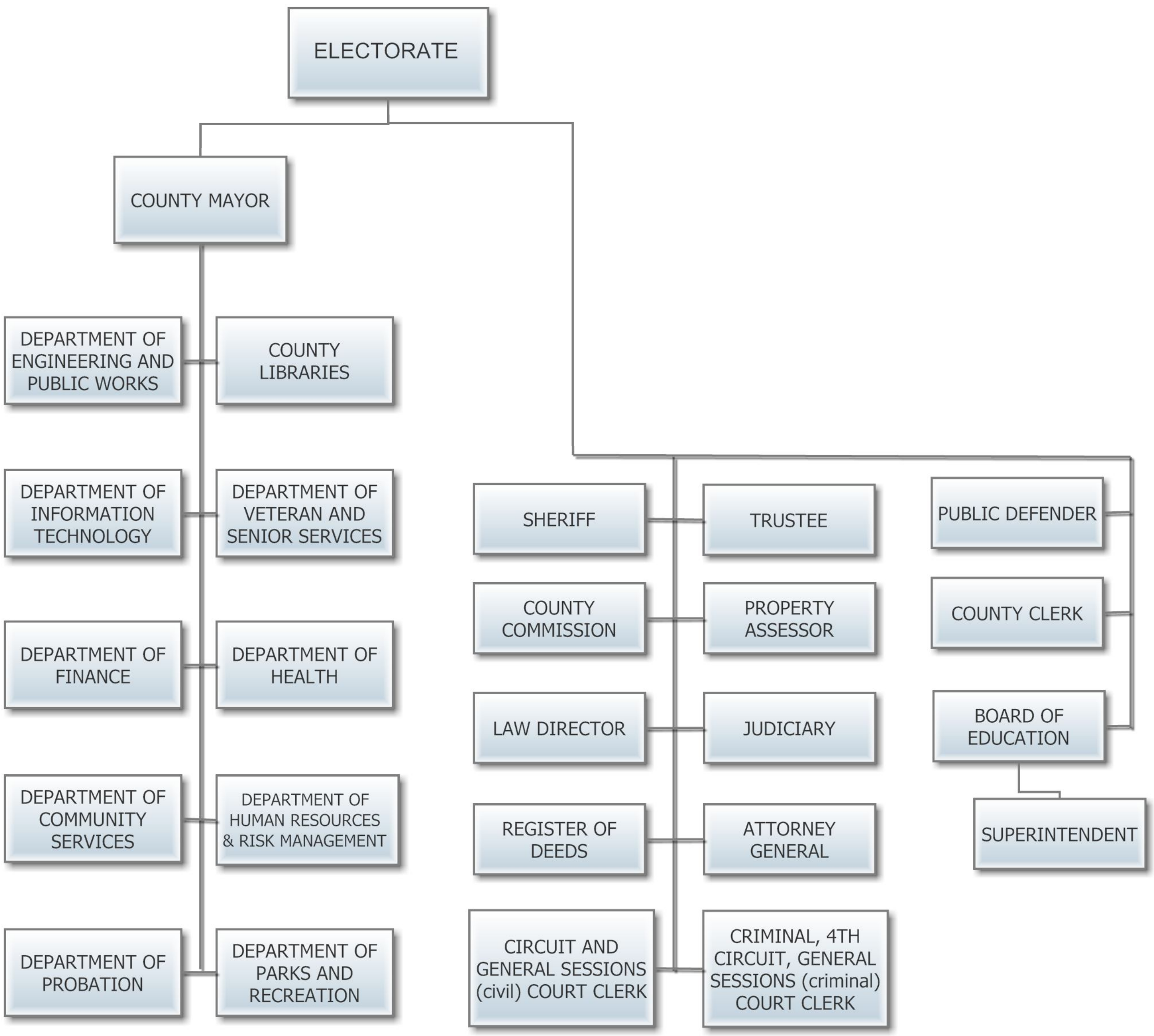
Christopher P. Morrill

Executive Director/CEO

KNOX COUNTY, TENNESSEE

COUNTY ORGANIZATIONAL STRUCTURE

As of June 30, 2018



KNOX COUNTY, TENNESSEE
ROSTER OF ELECTED OFFICIALS AND OTHERS
As of June 30, 2018

Elected Officials:

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

Board of Commissioners:

Brad Anders
Ed Brantley
Charles Busler
Michele Carringer
Carson Dailey
Evelyn Gill
Hugh Nystrom
John Schoonmaker
Randy Smith - Chairman
Bob Thomas
Dave Wright

Board of Education:

Patti Bounds - Chairman
Gloria Deathridge
Lynne Fugate
Terry Hill
Susan Horn
Mike McMillan
Tony Norman
Jennifer Owen
Amber Rountree

Superintendent of Schools:

Bob Thomas

Audit Committee:

David Shields
Jim Morrison - Chairman
Hugh Nystrom
John Schoonmaker
Dave Wright

Finance Director:

Chris Caldwell

Pension Board:

Ed Brantley
Chris Caldwell (Proxy for Tim Burchett, Chairman)
Hugh Nystrom, Vice Chairman
Bob Thomas
John Schoonmaker
Garrett Raiden
Tracy Foster
Jennifer Hemmelgarn
Zack Webb

Retirement Office:

Kim Bennett, Executive Director

Financial Section

PUGH CPAs

PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, budgetary comparison statement of the general fund, and the aggregate remaining fund information of Knox County, Tennessee (the "County") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Development Corporation of Knox County ("TDC"), a discretely presented Component Unit reported in the financial statements of the County. The TDC comprises 2.39% of total assets and deferred outflows, 8.88% of net position and 0.48% of revenues of the County. We did not audit the financial statements of the Great Schools Partnership Charitable Trust (the "Partnership"), a discretely presented Component Unit reported in the financial statements of the Knox County Board of Education (the "Board"). The Partnership comprises 0.86% of total assets and deferred outflows, 0.52% of net position and 1.17% of the revenues of the Board. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the TDC and the Partnership, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Emphasis of Matter

As discussed in Notes IV-H and V, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages xviii through xxxv and the schedules of changes in net pension liabilities or assets, investment returns, employer contributions and schedule of funding progress of the various pension and other post-employment benefit plans on pages 141 through 157 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards* and *Uniform Guidance*

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound document, our report dated December 28, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. In addition, we have also issued, in the same bound document, our report dated December 28, 2018, on the County's compliance for each major federal program, internal control over compliance and the schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Tennessee Comptroller of the Treasury.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 28, 2018

As management of the Knox County Government, we offer readers of the Knox County Government's financial statements this narrative overview and analysis of the financial activities of the Knox County Government for the fiscal years ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xi of this report. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the governmental activities of the Knox County Primary Government were exceeded by its liabilities and deferred inflows at the close of the most recent fiscal year by $23,930,428 (deficit net position). This amount includes a negative $304,099,280 of unrestricted net position. The negative unrestricted net position and total net position amounts resulted primarily from the process by which the Primary Government issues debt on behalf of the Board of Education component unit. See footnote on page 1.

- The Primary Government's change in net position for its governmental activities was an increase of $25,964,016. Total net position for the Primary Government (governmental and business-type activities) increased by $25,962,718. This is after the restated beginning net position that resulted from the County adopting GASB Statement No. 75. See Note IV.H for details on the restatement.

- The Primary Government's governmental funds reported total fund balances of $103,351,563, a decrease of $11,772,163 for the fiscal year.

- The Knox County Government's total bonded debt at the end of the year totaled $619,565,080, a decrease of 6.5% compared to the prior year total of $662,479,361. Of the current year total, $358,243,123 pertains to County general government activities and $261,321,957 pertains to the Knox County Board of Education component unit. Bond principal paid in the current year totaled $100,694,281 and debt issued totaled $57,780,000.

- The County Property Tax Rate was $2.12 for the fiscal year. This was changed from the prior year rate of $2.32 due to reappraisal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The Knox County Government adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund for information in the Basic Financial Statements section of the report. For a more detailed demonstration of budgetary compliance, the County also issues a separate Budget Report to Citizenry, which is available online at https://knoxcounty.org/finance/pdfs/budget_report_citizenry/fy063018.pdf.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-140 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Knox County Government's progress in funding its obligation to provide pension and other post-employment benefits to its employees and retirees. Required supplementary information can be found on pages 141-157 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and the individual fund statements are presented on pages 158-191. Combining and individual fund statements for proprietary funds can be found on pages 192-211 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Primary Government -- Governmental Activities

	June 30, 2018	June 30, 2017
Current and Other Assets	$ 335,330,099	$ 343,143,381
Capital Assets	600,224,045	608,601,415
Total Assets	935,554,144	951,744,796
Deferred Outflows of Resources	44,911,136	44,866,452
Other Liabilities - Current	97,309,820	94,809,622
Long-term Liabilities Outstanding	728,193,005	768,668,577
Total Liabilities	825,502,825	863,478,199
Deferred Inflows of Resources	178,892,883	172,864,472
Net Position:		
Net Investment in Capital Assets	269,818,927	262,771,208
Restricted	10,349,925	9,090,050
Unrestricted (Deficit)	(304,099,280)	(311,592,681)
Total Net Position (Deficit)	$ (23,930,428)	$ (39,731,423)

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

An additional portion of the Knox County Primary Government's governmental activities net position represents resources that are subject to external restriction on how they may be used. As shown below, these restrictions include Debt Service, Public Health and Welfare, Public Safety, Social and Cultural Services and Other Purposes. The remaining balance of unrestricted net position deficit of $304,099,280 reflects a positive change of $7,493,401 compared to the prior year unrestricted net position deficit of $311,592,681. The reasons for the negative change in net position are discussed in the section describing governmental activities.

Knox County Primary Government
Governmental Activities Net Position Comparison
June 30,

	2018	**2017**	**Variance**
Net Investment in Capital Assets	$ 269,818,927	$ 262,771,208	$ 7,047,719
Restricted:			
Debt Service	1,221,151	260,242	960,909
Public Health and Welfare	1,989,241	2,489,011	(499,770)
Public Safety	3,624,163	3,459,586	164,577
Social and Cultural Services	1,855,912	1,457,361	398,551
Other Purposes	1,659,458	1,423,850	235,608
Total Restricted Net Position	10,349,925	9,090,050	1,259,875
Unrestricted (Deficit):	(304,099,280)	(311,592,681)	7,493,401
Total Net Position (Deficit)	$ (23,930,428)	$ (39,731,423)	$ 15,800,995

The unrestricted net position balance represents funds that would normally be available to be used to meet the government's ongoing obligations to citizens and creditors. The primary reason for the deficit balance as of June 30, 2018 results from the County's recognition of long-term debt issued on behalf of the Knox County Board of Education. Because the Board cannot by law issue its own debt, the County issues debt on behalf of the Board, and pays the proceeds to the Board. The Board then uses these proceeds for its capital purposes, and records the capital assets on its own Statement of Net Position. Therefore, the assets are shown on the Board's Component Unit financial statements, whereas the related debt is shown on the County's Primary Government financial statements. At June 30, 2018, the amount of bonds, capital leases and loans issued by the County on behalf of the Board still outstanding was $295,098,238, compared to the prior year amount of $315,143,800. If these liabilities were shown with the Board's amounts to match the capital assets, the County would have had negative unrestricted net position of its governmental activities of $9,001,042 in 2018 and a positive unrestricted net position of $3,551,119 in 2017.

At the end of the current fiscal year, positive balances in total net position are reported for the total reporting unit and for each of the separate component units. The primary government reported a deficit net position during the current fiscal year which was largely attributable to the issuance of bonds allocated to the Board. The total reporting unit's net position increase is primarily attributable to the underlying positive change in net position of the primary government, totaling $25,962,718.

Governmental activities. Governmental activities increased the Knox County Primary Government's net position by $25,964,016 in 2018. This amount results mainly from delaying the debt issued by the County and paid to the Board until the beginning of FY 2019. The County issues debt for various projects on behalf of the Board which results in the Primary Government recognizing an expense with no associated revenue. Also, the County experienced better than expected tax revenues.

The following table shows the changes in the Statement of Activities for the Primary Government-Governmental Activities for the fiscal years ended June 30, 2018 and 2017.

Knox County Primary Government
Governmental Activities

	Year Ended June 30, 2018	2017	Variance
Program Revenues:			
Charges for Services	$ 48,848,168	$ 48,095,335	$ 752,833
Operating Grants and Contributions	27,856,773	21,644,878	6,211,895
Capital Grants and Contributions	3,440,398	-	3,440,398
General Revenues			
Local Taxes	227,309,451	219,372,686	7,936,765
Payments from Component Units	15,858,368	16,414,092	(555,724)
Intergovernmental Revenues	13,592,165	13,192,160	400,005
Other General Revenues	8,515,466	8,211,031	304,435
Total Revenues	345,420,789	326,930,182	18,490,607
Expenses:			
Finance and Administration	38,288,802	37,614,449	674,353
Administration of Justice	30,358,240	26,713,176	3,645,064
Public Safety	92,113,909	90,286,734	1,827,175
Public Health and Welfare	36,918,889	36,369,021	549,868
Social and Cultural Services	21,717,942	24,626,710	(2,908,768)
Agricultural and Natural Resources	520,063	518,339	1,724
Other General Government	26,252,797	22,918,688	3,334,109
Engineering & Public Works	34,327,784	30,849,914	3,477,870
Debt Service	25,918,382	23,918,523	1,999,859
Payments to Component Units	12,719,965	88,010,360	(75,290,395)
Total Expenses	319,136,773	381,825,914	(62,689,141)
Excess (Deficiency) of Revenues over (under) Expenses before Transfers	26,284,016	(54,895,732)	81,179,748
Transfers to Other Funds	(320,000)	(275,000)	(45,000)
Change in Net Position	25,964,016	(55,170,732)	81,134,748
Net Position, July 1, as restated	(49,894,444)	15,439,309	(65,333,753)
Net Position, June 30 (Deficit)	$ (23,930,428)	$ (39,731,423)	$ 15,800,995

Program revenues include charges for services, which consist of various items such as fees for services, licenses, and fines. Charges for services relate to numerous and various government functions. These items represent an aggregation of numerous transactions, and there is not a concentration of revenues in any area. These tend, therefore, to be relatively stable from year to year. Program revenues include operating grants, which consist largely of grants received from the federal and state governments. The current year revenues consist of various amounts received for government functions, and amounts are comparable to the prior year totals. Program revenues also include capital grants and contributions. During the current year the County received $2,898,547 contributions from developers related to road projects. The Board received $4,515,483 in the current year related to a donation to upgrade the football fields to artificial turf at each of the Board's area high schools.

General Revenues include local taxes, payments from component units, intergovernmental revenues, and other general revenues. The change in local taxes is mostly related to property and sales taxes and a relatively stable overall tax base. Payments from component units primarily consist of the amounts received for the Board's portion of debt service related to the debt obligations that the Primary Government incurred on behalf of the Board. Intergovernmental revenues consist of state shared revenues from various tax collections at the state level. Other general revenues consist primarily of investment revenue and other miscellaneous. The change in the current year is primarily attributable to increased property and sales tax revenues. In 2018, combined property and sales tax revenue was $192,410,984. The 2017 corresponding total was $184,901,754, for a net increase of $7,509,230. The property tax line item includes current and delinquent. The collections of delinquent taxes had improved in the current year. This line also includes in-lieu of taxes which improved over the prior year. Sales tax collections improved over the prior year due to a better than expected growth in retail sales.

Expenses for the Primary Government are categorized into functional areas. The change in current year was largely attributable to the decrease in the amounts paid to the Board component unit of $75,310,668. In FY 2017, the County issued $90,265,000 series 2017 general obligation bonds, of which $63,750,000 was allocated to the school construction fund. The County did not have a similar bond issue in 2018. The amounts paid to the Board are primarily the result of debt issued by the County on behalf of the Board. As previously noted, the County issues debt on behalf of the Board for capital purposes because the Board may not incur its own debt obligations. Therefore, the net proceeds of such debt issues are paid to the Board, thus resulting in an expense to the Primary Government. Expenses in other categories were in line with expectations. Increases were experienced in the areas of finance and administration, administration of justice, public safety, public health and welfare, other general government and engineering and public works, which reflected necessary increases in the cost of providing essential government services.

Proprietary Net Position and Business-type Activities. Proprietary activities included as business-type activities in the government-wide statements consist solely of the operations of the County's Three Ridges Golf Course, an enterprise fund. The following tables describe the results and changes in the current and prior years. The golf course is supported by user fees: greens fees, cart fees, pro shop and snack bar. The County's general fund made a transfer of $320,000 in the current year to the golf course for additional support. The change in net position of $(1,298) for the golf course includes the effects of depreciation, a noncash expense, totaling $45,133. If the effects of depreciation were removed from the results of operations, the golf course would have had an increase in net position of $43,835. Of the ending net position, $489,551 was invested in capital assets, with the remaining deficit amount of $46,609 unrestricted. These amounts reflect the results of ordinary business operations.

Net Position-Primary Government-Business-type Activities

	June 30, 2018	June 30, 2017	Variance
Current and Other Assets	$ 33,710	$ 39,222	$ (5,512)
Capital Assets	489,551	489,809	(258)
Total Assets	523,261	529,031	(5,770)
Current Liabilities	65,710	39,442	26,268
Noncurrent Liabilities	14,609	45,349	(30,740)
Total Liabilities	80,319	84,791	(4,472)
Net Position:			
Invested in Capital Assets	489,551	489,809	(258)
Unrestricted (Deficit)	(46,609)	(45,569)	(1,040)
Total Net Position	$ 442,942	$ 444,240	$ (1,298)

Primary Government-Business-type Activities

	Year Ended June 30, 2018	Year Ended June 30, 2017	Variance
Program Revenues:			
Charges for Services	$ 814,837	$ 759,401	$ 55,436
Expenses:			
Operating Expenses	1,181,011	1,137,700	43,311
Operating Income (Loss)	(366,174)	(378,299)	12,125
Capital Contributions and Transfers:			
Capital Contributions	44,876	35,000	9,876
Transfer from Other Funds	320,000	275,000	45,000
Total Capital Contributions and Transfers	364,876	310,000	54,876
Change in Net Position	(1,298)	(68,299)	67,001
Net Position, July 1	444,240	512,539	(68,299)
Net Position, June 30	$ 442,942	$ 444,240	$ (1,298)

FINANCIAL ANALYSIS OF THE FUNDS

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

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

The categories of fund balance are:
Nonspendable fund balance relates to amounts that cannot be spent because they are in a form that is not expected to be converted to cash (e.g., inventories and prepaid items), as well as the County's investment in joint venture.
Restricted fund balance includes amounts restricted for specific purposes by parties outside of the County (e.g., grantors, other governments) or imposed by law through constitutional provisions or enabling legislation.
Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commission.
Assigned fund balance consists of amounts constrained by the County's intent to be used for specific purposes, but are not restricted or committed.
Unassigned fund balance is the residual balance in the General Fund.

The following table shows the changes in the fund balance categories:

Primary Government--Governmental Fund Balances

	June 30, 2018	June 30, 2017	Variance
Nonspendable	$ 6,020,510	$ 5,733,329	$ 287,181
Restricted	10,349,925	15,062,753	(4,712,828)
Committed	28,202,991	24,505,174	3,697,817
Assigned	6,103,684	5,920,711	182,973
Unassigned	52,674,453	63,901,759	(11,227,306)
Total Fund Balances	$ 103,351,563	$ 115,123,726	$ (11,772,163)

As of the end of the current fiscal year, the Knox County Government's governmental funds reported combined ending fund balances of $103,351,563, a decrease of $11,772,163 in comparison with the prior year total of $115,123,726. The majority of the overall decrease resulted from operations of the County's capital projects public improvement fund. Factors that affected the results for each of those individual funds are discussed below.

The General Fund is the chief operating fund of the Knox County Government. The results of the fund balances in the General Fund are indicated in the table below. Unassigned fund balance represents 37.5% of actual expenditures compared to 36.7% last year. The County has adopted a formal fund balance policy calling for the maintenance of a minimum level of unassigned fund balance equivalent to three months (25%) of regular operating expenditures plus transfers out. The County strives to maintain levels exceeding that minimum level in order to provide for unanticipated needs. The actual results reflect the achievement of this goal. Factors that affected the results of operations of the major Governmental Funds are discussed further in the following sections.

General Fund - Fund Balances

	June 30, 2018	June 30, 2017	Variance
Nonspendable	$ 5,927,091	$ 5,628,804	$ 298,287
Restricted	2,417,264	2,381,149	36,115
Committed	4,874,481	2,525,359	2,349,122
Assigned	921,525	387,963	533,562
Unassigned	65,921,820	63,901,759	2,020,061
Total Fund Balances	$ 80,062,181	$ 74,825,034	$ 5,237,147

The Debt Service Fund is used to account for the accumulation of resources for, and related payments of, principal and interest on general long-term debt. The results of the fund balances in the Debt Service Fund are indicated in the table below. The majority of the fund balance consists of amounts committed for debt service purposes by County Commission. The County had planned for a decrease in the Debt Service Fund, and had budgeted for $4,929,118 to be applied to the current year budget. As the current year result of operations was an increase in fund balance of $1,774,029, the fund experienced a positive variance of $6,703,147 of actual results compared to the final budget. This resulted from the significant savings from conservatively budgeting for interest expense that the County experienced from its variable rate debt, combined with the County's practice of issuing debt as close to the time of the anticipated cash needs as practicable in order to minimize total interest costs. The County plans to continue its conservative financial planning. During the prior year the fund made a one-time payment of $9,968,536 to the Board.

Debt Service Fund - Fund Balances

	June 30, 2018	June 30, 2017	Variance
Restricted	$ 1,221,151	$ 260,242	$ 960,909
Committed	15,469,754	14,656,634	813,120
Total Fund Balances	$ 16,690,905	$ 14,916,876	$ 1,774,029

The Public Improvement Capital Projects Fund experienced a net decrease in fund balance in 2018, as seen on the following table. This change results from the timing of the issuance of bonds for capital purposes compared to the expenditures made therefrom. The County's practice is to issue debt for capital purposes generally on an annual basis, with the intent that debt proceeds be received as close as practicable to the timing of the planned expenditures. This is done to help keep interest charges as low as practicable. In FY 2018, bonds were planned and approved by County Commission for capital purposes but not issued until FY 2019, shortly after the end of the 2018 fiscal year. As a result, the fund experienced a negative fund balance at June 30, 2018. The negative balance was eliminated in July 2018 upon receipt of the bond proceeds.

Public Improvement Capital Projects Fund - Fund Balances

	June 30, 2018	June 30, 2017	Varance
Restricted	$ -	$ 5,972,703	$ (5,972,703)
Committed	-	250,000	(250,000)
Unrestricted (Deficit)	(13,247,367)	-	(13,247,367)
Total Fund Balance	$ (13,247,367)	$ 6,222,703	$ (19,470,070)

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

Net position of all the internal service funds at year-end 2018 is shown in the table below. The majority of the variance was due primarily to the building operations, self-insurance and self-insurance healthcare funds net position decrease of $1,788,228, increase of $1,967,990, and increase of $1,723,841, respectively. During FY 2018 the building operations fund transferred a portion of its excess fund balance to support the self-insurance fund. The self-insurance fund experienced an increase in claims expense and worker's compensation liability expense by $4,486,061 which was due to more than expected claims activity for the year and an increased liability resulting from the actuary study. The self-insurance fund also received $1,590,000 from the Board to support their worker's compensation liability which is now part of the County's. The self-insurance healthcare fund experienced an increase in claims expense by $2,242,505 and an increase in revenue charges for services of $576,382. The Internal Service Funds are used to accumulate and distribute costs as a planning tool, and are expected to break even over the long run. As the intent of these funds is to "break even," these results are in line with expectations, and reflect the variability and uncertainty in predicting the activity for the year. The total net position at year-end reflects a modest accumulated net position for these funds over time, in line with expectations.

Net Position-Proprietary Funds-Internal Service Funds

	June 30,		
	2018	**2017**	**Variance**
Net Position - All ISF	$ 17,747,508	$ 15,520,799	$ 2,226,709
Charges for Services	$ 85,347,286	$ 83,361,617	$ 1,985,669
Change in Net Position as a % of Charges for Services	2.6%	5.7%	

GENERAL FUND BUDGETARY HIGHLIGHTS

The total fund balance of the County's General Fund increased by $5,237,147 during 2018, compared to last year's $2,543,092 increase. The General Fund's original budget planned for a net use of fund balance for the year of $1,905,914. Therefore, the actual unassigned fund balance of $65,921,820 was $7,143,061 greater than originally planned. Key elements in the comparison of the budget to actual results for the General Fund are shown in the following table:

General Fund - Budget vs. Actual
Year Ended June 30, 2018

	Budget	Actual	Variance
Local Taxes	$ 139,870,463	$ 142,641,168	$ 2,770,705
State of Tennessee	11,732,198	13,916,623	2,184,425
Federal Government	1,199,000	1,089,621	(109,379)
Other	19,119,777	20,425,553	1,305,776
Equity Interest in Joint Venture	-	406,204	406,204
Total Revenues	$ 171,921,438	$ 178,479,169	$ 6,557,731
Finance and Administration	$ 30,847,873	$ 30,118,144	$ 729,729
Administration of Justice	18,960,502	18,758,678	201,824
Public Safety	84,780,424	84,379,458	400,966
Public Health and Welfare	22,663,812	22,313,862	349,950
Social and Cultural Services	5,238,337	5,218,606	19,731
Agricultural and Natural Resources	543,464	520,063	23,401
Other General Government	14,746,709	14,699,478	47,231
Total Expenditures	$ 177,781,121	$ 176,008,289	$ 1,772,832

The largest item affecting the variance in local taxes was a $1,736,073 increase over budget in actual local option sales tax revenues. While the County has the ability to raise tax rates, the government has chosen to keep tax rates steady (adjusted only for the effects of reappraisal) to not further burden County taxpayers. Therefore, revenues were budgeted conservatively and in line with the previous year. Various other revenues from the State of Tennessee exceeded the conservatively budgeted amounts, which also contributed to the General Fund positive budgetary outcome. The General Fund budget was adopted in amounts intended to provide funds for essential services. Expenditures reflected the close monitoring of the budget to achieve results as planned.

Differences in expenditures between the original budget and the final amended budget were within the normal course of County business and totaled a net $1,734,582 increase in the total budget. Included in the increase were normal carryover appropriations for projects not completed during the previous fiscal year and appropriations for additional expenditures related to numerous additional revenues received for specific purposes during the year that were in addition to the revenues estimated in the original budget. Key elements in the comparison of the original budget to final budget for the General Fund are shown in the following table:

General Fund - Original Budget vs. Final Amended Budget

	Year Ended June 30, 2018		
	Original	Final	Variance
Local Taxes	$ 139,811,000	$ 139,870,463	$ 59,463
State of Tennessee	9,697,080	11,732,198	2,035,118
Federal Government	1,199,000	1,199,000	-
Other	18,796,614	19,119,777	323,163
Total Revenues	$ 169,503,694	$ 171,921,438	$ 2,417,744
Finance and Administration	$ 31,554,600	$ 30,847,873	$ 706,727
Administration of Justice	19,051,631	18,960,502	91,129
Public Safety	84,261,485	84,780,424	(518,939)
Public Health and Welfare	22,456,879	22,663,812	(206,933)
Social and Cultural Services	4,937,517	5,238,337	(300,820)
Agricultural and Natural Resources	539,892	543,464	(3,572)
Other General Government	13,244,535	14,746,709	(1,502,174)
Total Expenditures	$ 176,046,539	$ 177,781,121	$ (1,734,582)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Knox County Government Total Reporting Unit reported a total balance of capital assets (net of accumulated depreciation) as of June 30, 2018, of $1,066,115,182, which compares to the prior year total of $1,040,123,987. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the investment in capital assets for the current fiscal year was $25,991,195 or 2.50%, which reflects the depreciation expense for the year in amounts less than capital additions.

Spending for major capital asset additions during the current fiscal year included the following: Pond Gap Elementary School upgrades, school security upgrades and completion of two new middle schools at Hardin Valley and Gibbs (Board), Karns Connector, Schaad Road, County additions/renovations, various other school upgrades, numerous road projects, and various other projects.

The County reported capital assets for its governmental activities as of June 30, 2018 as described in the table below. The County's investment in capital assets includes land and land improvements, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the County, such as roads and streets, bridges, sidewalks, lighting systems, and similar items. The decrease in the current year change can be found mainly in the buildings, machinery and equipment, and infrastructure categories. Two major renovations to buildings, the forensic center and juvenile justice center, were completed in the prior year. The energy management upgrades within the machinery and equipment category were completed in the prior year. The stormwater management plan in the infrastructure category was completed in the prior year. Depreciation in the current year reduces the overall balance in capital assets. The County maintains a commitment to reduce borrowing for capital purposes which results in an overall lower amount of capital asset additions compared to previous years. Although a certain level of long-term borrowing for capital purposes is necessary to service the needs of County citizens, the County is committed to reducing its debt level in order to minimize the burden on County taxpayers resulting from additional debt issuances.

Knox County Primary Government
Governmental Activities Capital Assets

	2018	2017	Variance
Beginning Balance, July 1	$ 1,051,297,103	$ 1,023,553,890	$ 27,743,213
Current Year Change	20,958,604	27,743,213	(6,784,609)
Capital Assets	1,072,255,707	1,051,297,103	20,958,604
Less: Accumulated Deprecation	472,031,662	442,695,688	29,335,974
Ending Balance, June 30	$ 600,224,045	$ 608,601,415	$ (8,377,370)

Additional information on the Knox County Government's capital assets can be found in Note III.C of this report. Significant construction commitments in progress at year-end can be found in Note IV.E of this report.

Long-term debt. At the end of the current fiscal year, the Knox County Government had total bonded debt outstanding of $619,565,080, compared to $662,479,361 at the end of 2017. All of the bonded debt was backed by the full faith and credit of the County government. In the current year $261,321,957 of the total is outstanding debt which the government issued on behalf of the Board for school purposes. The remaining $358,243,123 of the Knox County Government's debt represents bonds issued for general government purposes. The following schedule shows the changes in bonded debt allocated to the entity responsible for payment thereof.

Knox County Government's
Bonded Debt Changes

FY 2018: Rollforward of Debt:	**Primary Government**	**Board**	**Total**
Beginning Balance	$ 381,869,285	$ 280,610,076	$ 662,479,361
Principal Paid	(66,046,162)	(34,648,119)	(100,694,281)
Proceeds From Debt Issuances	42,420,000	15,360,000	57,780,000
Ending Balance - Bonds	$ 358,243,123	$ 261,321,957	$ 619,565,080

FY 2017: Rollforward of Debt:	**Primary Government**	**Board**	**Total**
Beginning Balance	$ 371,971,565	$ 243,017,077	$ 614,988,642
Principal Paid	(21,782,280)	(20,992,001)	(42,774,281)
Proceeds From Debt Issuances	31,680,000	58,585,000	90,265,000
Ending Balance - Bonds	$ 381,869,285	$ 280,610,076	$ 662,479,361

Knox County's total bonded debt decreased by $42,914,281 or 6.5% during the current fiscal year. This was due to the bond principal payments exceeding the debt issuances as shown in the table above. The current year decrease in bonded debt was planned, and combined with reductions already achieved in previous years, will keep the County on track to maintain the Mayor's commitment to lower the overall bonded debt levels of the County.

Other Debt Changes During

FY 2018: Rollforward of Debt:	**Primary Government**	**Board**	**Total**
Beginning Balance	$ 53,776,279	$ 4,427,778	$ 58,204,057
Additions	3,980,220	-	3,980,220
Deductions	(4,774,739)	(252,488)	(5,027,227)
Ending Balance	$ 52,981,760	$ 4,175,290	$ 57,157,050

FY 2017: Rollforward of Debt:	**Primary Government**	**Board**	**Total**
Beginning Balance	$ 50,611,141	$ 4,670,383	$ 55,281,524
Additions	8,436,587	-	8,436,587
Deductions	(5,271,449)	(242,605)	(5,514,054)
Ending Balance	$ 53,776,279	$ 4,427,778	$ 58,204,057

Knox County's other debt, including the Board, described in the table above consist of unamortized bond premium, capital lease obligations, and loans payable. This debt decreased by $1,047,007 during the current fiscal year due mainly to principal payments exceeding new issues. Knox County's debt is rated "AA+" by Standard & Poor's. In addition, the County's debt is rated "Aa1" by Moody's. These ratings were reaffirmed subsequent to June 30, 2018.

State statutes set no limit for the amount of general obligation debt a county may issue. Current bonded debt outstanding for the County Government is $619,565,080. This translates to approximately $1,340 per capita. This compares to the FY 2017 per capita amount of $1,434.

Additional information on the Knox County's long-term debt can be found in the Note III.I to the Financial Statements of this report and on pages 234-239.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Knox County for June 2018 was 3.6%, which is a decrease from the final unemployment rate figure of 3.7% for June 2017. For comparison, the state's average rate was 3.5% for June 2018, and 4.2% for June 2017. The national unemployment averages were 4.0% for June 2018 and 4.5% for June 2017.

- The General Fund budget adopted for 2019 reflects a budget totaling $186,749,095. The budget anticipates using $1.6 million from fund balance and a minor anticipated use of restricted resources.

- The property tax rate for FY 2019 is $2.12. The allocation of the rate is $0.89 to the general fund, $0.80 to the general purpose school fund and $0.43 to the debt service fund.

- Additional information regarding the County's budget may be found at https://knoxcounty.org/finance/pdfs/2018_2019_budget/AdoptedBudgetDetail.pdf

REQUESTS FOR INFORMATION

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

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

Basic Financial Statements

KNOX COUNTY, TENNESSEE

Statement of Net Position

June 30, 2018

	Primary Government			Component Units		
	Governmental Activities	**Business-type Activities**	**Total**	**Knox County Board of Education**	**Nonmajor Component Units**	**Total Reporting Unit**
Assets						
Cash and Cash Equivalents	$ 81,888,386	$ -	$ 81,888,386	$ 17,599,705	$ 38,735,599	$ 138,223,690
Investments, at Fair Value	43,033,948	-	43,033,948	24,939,848	-	67,973,796
Accounts Receivable	21,601,087	7,370	21,608,457	43,032,704	613,972	65,255,133
Local Taxes Receivable, net	176,530,965	-	176,530,965	106,996,033	-	283,526,998
Loans Receivable	3,209,743	-	3,209,743	-	-	3,209,743
Internal Balances	43,434	(43,434)	-	-	-	-
Due from Component Units	377,429	-	377,429	-	-	377,429
Advances to Other Governments	2,445,000	-	2,445,000	-	-	2,445,000
Inventories	451,496	69,774	521,270	1,850,367	-	2,371,637
Land Held for Resale	-	-	-	-	23,366,283	23,366,283
Prepaid Items	185,570	-	185,570	1,080,083	140,734	1,406,387
Other Assets	-	-	-	1,000	-	1,000
Net Pension Asset	-	-	-	3,641,366	-	3,641,366
Equity Interest in Joint Venture	5,563,041	-	5,563,041	-	-	5,563,041
Capital Assets:						
Land and Construction in Process	116,273,170	880	116,274,050	25,413,248	5,891,555	147,578,853
Other Capital Assets, Net of Accumulated Depreciation	483,950,875	488,671	484,439,546	426,057,600	8,039,183	918,536,329
Total Assets	935,554,144	523,261	936,077,405	650,611,954	76,787,326	1,663,476,685
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	20,648,165	-	20,648,165	44,439,980	-	65,088,145
Deferred Outflows Related to Other Post-Employment Benefits	1,634,580	-	1,634,580	2,081,304	-	3,715,884
Deferred Outflows of Unamortized Amount on Refundings	5,977,852	-	5,977,852	-	-	5,977,852
Deferred Outflows of Hedging Derivatives	16,650,539	-	16,650,539	-	-	16,650,539
Total Deferred Outflows of Resources	44,911,136	-	44,911,136	46,521,284	-	91,432,420
Liabilities						
Accounts Payable	16,345,780	34,666	16,380,446	63,932,756	946,355	81,259,557
Due to Primary Government	-	-	-	377,429	-	377,429
Unearned Revenue	2,040,280	-	2,040,280	321,670	3,654	2,365,604
Accrued Interest	2,852,640	-	2,852,640	-	-	2,852,640
Self-insurance Liability	19,697,509	-	19,697,509	3,451,708	-	23,149,217
Net Pension Liability	68,905,861	-	68,905,861	8,733,255	-	77,639,116
Long-term Obligations:						
Other Post-Employment Benefits Obligation	10,553,397	-	10,553,397	32,959,777	-	43,513,174
Fair Value of Interest Rate Swap Derivatives	21,631,967	-	21,631,967	-	-	21,631,967
Other Long-term Obligations:						
Due in Less than One Year	56,373,611	31,044	56,404,655	4,338,139	352,485	61,095,279
Due in More than One Year	627,101,780	14,609	627,116,389	21,598,847	162,444	648,877,680
Total Liabilities	825,502,825	80,319	825,583,144	135,713,581	1,464,938	962,761,663
Deferred Inflows of Resources						
Deferred Inflows Related to Pensions	6,605,114	-	6,605,114	42,305,370	-	48,910,484
Deferred Inflows Related to Other Post-Employment Benefits	505,486	-	505,486	2,158,275	-	2,663,761
Deferred Inflows of Property Taxes and Other Receivables	171,782,283	-	171,782,283	103,826,157	-	275,608,440
Total Deferred Inflows of Resources	178,892,883	-	178,892,883	148,289,802	-	327,182,685
Net Position						
Investment in Capital Assets	-	489,551	489,551	448,222,481	13,930,738	462,642,770
Net Investment in Capital Assets (see note below)	269,818,927	-	269,818,927	(926,923)	-	(26,206,234)
Restricted for:						
Debt Service	1,221,151	-	1,221,151	-	-	1,221,151
Public Health and Welfare Purposes	1,989,241	-	1,989,241	-	-	1,989,241
Public Safety Purposes	3,624,163	-	3,624,163	-	-	3,624,163
Education Purposes	-	-	-	9,498,867	-	9,498,867
Social and Cultural Purposes	1,855,912	-	1,855,912	-	-	1,855,912
Other Purposes	1,659,458	-	1,659,458	-	66,866	1,726,324
Unrestricted (see note below)	(304,099,280)	(46,609)	(304,145,889)	(43,664,570)	61,324,784	8,612,563
Total Net Position (Deficit)	$ (23,930,428)	$ 442,942	$ (23,487,486)	$ 413,129,855	$ 75,322,388	$ 464,964,757

The sum of the rows that report the net position categories for Net Investment in Capital Assets and Net Position-Unrestricted applicable to the primary government and the component units do not equal the related amounts shown in the Total Reporting Entity column. The difference of $295,098,238 results because the debt incurred by the Primary Government on behalf of the Board of Education Component Unit reduces the unrestricted net position of the Primary Government, whereas the related assets are reported in the Board Component Unit totals. For the Total Reporting Unit, the $295,098,238 is deducted from the amount shown for Net Investment in Capital Assets to show the matching of the total assets with the total debt. In addition, the Board's capital assets acquired with funds provided by the primary government are included in the Investment in Capital Assets category, as the Board incurred no related capital debt.

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

KNOX COUNTY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: The Board	Component Units: Nonmajor Component Units	Total Reporting Unit
Primary government:										
Governmental activities:										
Finance and Administration	$ 38,288,802	$ 22,983,398	$ -	$ -	$ (15,305,404)		$ (15,305,404)			$ (15,305,404)
Finance and Administration-Payment to Component Unit	5,253,874	-	-	-	(5,253,874)		(5,253,874)			(5,253,874)
Administration of Justice	30,358,240	11,035,260	2,653,317	-	(16,669,663)		(16,669,663)			(16,669,663)
Public Safety	92,113,909	6,110,734	2,689,988	-	(83,313,187)		(83,313,187)			(83,313,187)
Public Safety-Payment to Component Unit	1,191,595	-	-	-	(1,191,595)		(1,191,595)			(1,191,595)
Public Health and Welfare	36,918,889	7,467,973	9,178,615	-	(20,272,301)		(20,272,301)			(20,272,301)
Public Health and Welfare-Payment to Component Unit	166,628	-	-	-	(166,628)		(166,628)			(166,628)
Social and Cultural Services	21,717,942	816,249	395,827	-	(20,505,866)		(20,505,866)			(20,505,866)
Agricultural and Natural Resources	520,063	-	30,484	-	(489,579)		(489,579)			(489,579)
Other General Government	26,252,797	280,504	1,680,078	-	(24,292,215)		(24,292,215)			(24,292,215)
Other General Government-Payment to Component Unit	700,000	-	-	-	(700,000)		(700,000)			(700,000)
Engineering and Public Works	34,327,784	154,050	11,228,464	3,440,398	(19,504,872)		(19,504,872)			(19,504,872)
Education - Payment to Component Unit	5,407,868	-	-	-	(5,407,868)		(5,407,868)			(5,407,868)
Debt Service - Interest and Fees	25,918,382	-	-	-	(25,918,382)		(25,918,382)			(25,918,382)
Total governmental activities	319,136,773	48,848,168	27,856,773	3,440,398	(238,991,434)		(238,991,434)			(238,991,434)
Business-type activities:										
Three Ridges Golf Course	1,181,011	814,837	-	44,876	-	$ (321,298)	(321,298)			(321,298)
Total primary government	$ 320,317,784	$ 49,663,005	$ 27,856,773	$ 3,485,274	(238,991,434)	(321,298)	(239,312,732)			(239,312,732)
Component units:										
Board of Education	$ 556,728,759	$ 13,724,007	$ 66,949,517	$ 4,515,483				$ (471,539,752)		(471,539,752)
Nonmajor Component Units	10,576,258	7,168,044	500,000	-				-	$ (2,908,214)	(2,908,214)
Total component units	$ 567,305,017	$ 20,892,051	$ 67,449,517	$ 4,515,483				(471,539,752)	(2,908,214)	(474,447,966)
General Revenues:										
Property Taxes					177,170,109	-	177,170,109	100,682,583	-	277,852,692
Sales Taxes					15,240,875	-	15,240,875	151,819,824	-	167,060,699
Lodging Taxes					8,294,714	-	8,294,714	-	-	8,294,714
Business Taxes					9,681,404	-	9,681,404	-	-	9,681,404
Wheel Taxes					12,060,159	-	12,060,159	1,671,093	-	13,731,252
Other Local Taxes					4,862,190	-	4,862,190	1,065,230	-	5,927,420
Investment Revenue					6,248,527	-	6,248,527	456,641	489,807	7,194,975
Payments from Component Units					15,858,368	-	15,858,368	-	-	15,858,368
Payments from Primary Government					-	-	-	10,661,742	2,058,223	12,719,965
Intergovernmental Revenues					13,592,165	-	13,592,165	2,256,866	-	15,849,031
Other Revenues					662,550	-	662,550	-	3,578,102	4,240,652
Other Governments and Citizens Groups					428,174	-	428,174	-	2,787,924	3,216,098
Miscellaneous					1,176,215	-	1,176,215	388,502	-	1,564,717
Grants and Contributions Not Restricted for Specific Programs					-	-	-	-	1,719,140	1,719,140
State of Tennessee - Basic Education Program					-	-	-	210,692,256	-	210,692,256
Transfers					(320,000)	320,000	-	-	-	-
Total General Revenues and Transfers					264,955,450	320,000	265,275,450	479,694,737	10,633,196	755,603,383
Change in Net Position					25,964,016	(1,298)	25,962,718	8,154,985	7,724,982	41,842,685
Net Position, July 1, as restated (See Note IV.H.)					(49,894,444)	444,240	(49,450,204)	404,974,870	67,597,406	423,122,072
Net Position, June 30 (Deficit)					$ (23,930,428)	$ 442,942	$ (23,487,486)	$ 413,129,855	$ 75,322,388	$ 464,964,757

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

KNOX COUNTY, TENNESSEE

Balance Sheet
Governmental Funds
June 30, 2018

	General	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 20,531,115	$ -	$ 6,513,613	$ 17,426,016	$ 44,470,744
Investments, at Fair Value	37,290,064	-	5,743,884	-	43,033,948
Receivables, (Net):					
Accounts	10,266,383	1,450,104	190,540	9,129,903	21,036,930
Local Taxes	119,020,111	-	57,510,854	-	176,530,965
Notes and Loans	615,000	200,000	1,455,000	939,743	3,209,743
Due from Other Funds	12,115,145	-	-	-	12,115,145
Advances to Other Entity	-	-	2,445,000	-	2,445,000
Inventories	240,531	-	-	70,629	311,160
Prepaid Items	123,519	-	-	22,790	146,309
Investments in Joint Venture	5,563,041	-	-	-	5,563,041
TOTAL ASSETS	$ 205,764,909	$ 1,650,104	$ 73,858,891	$ 27,589,081	$ 308,862,985
LIABILITIES					
Accounts Payable	$ 4,290,129	$ 4,712,027	$ 8,228	$ 3,376,334	$ 12,386,718
Accrued Liabilities	2,387,480	-	-	547,689	2,935,169
Due to Other Funds	-	10,185,444	-	1,882,541	12,067,985
Unearned Revenue	103,607	-	-	1,936,673	2,040,280
TOTAL LIABILITIES	6,781,216	14,897,471	8,228	7,743,237	29,430,152
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes and Notes Receivable	118,921,512	-	57,159,758	-	176,081,270
FUND BALANCES					
Nonspendable	5,927,091	-	-	93,419	6,020,510
Restricted	2,417,264	-	1,221,151	6,711,510	10,349,925
Committed	4,874,481	-	15,469,754	7,858,756	28,202,991
Assigned	921,525	-	-	5,182,159	6,103,684
Unassigned	65,921,820	(13,247,367)	-	-	52,674,453
TOTAL FUND BALANCES	80,062,181	(13,247,367)	16,690,905	19,845,844	103,351,563
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 205,764,909	$ 1,650,104	$ 73,858,891	$ 27,589,081	$ 308,862,985

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

KNOX COUNTY, TENNESSEE

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

June 30, 2018

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

Ending Fund Balance - Governmental Funds			$ 103,351,563
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and,therefore, are not reported in the funds.			600,087,193
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			17,747,508
Long-term liabilities, including bonds payable and related unamortized premium, loans payable, capital lease obligations, other post-employment benefit obligation, compensated absences, net pension liability, the fair value of interest rate swaps, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.			
	Bonds Payable	$ 619,565,080	
	Unamortized Bond Premium	16,207,949	
	Fair Value of Interest Rate Swaps, net	4,981,428	
	Loans Payable	2,594,665	
	Accrued Interest	2,852,640	
	Capital Lease Obligations	34,179,146	
	Net Pension Liability	68,905,861	
	Other Post-employment Benefit Obligation	10,553,397	
	Compensated Absences	10,725,510	(770,565,676)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts are recorded as deferred inflows of resources in the fund financial statements but have been recognized as revenues under the accrual basis in the statement of net position.			4,298,987
Deferred outflows of unamortized amounts on refundings ($5,977,852), deferred outflows related to other postemployment benefits ($1,634,580), and deferred outflows related to pensions ($20,648,165) increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds. Similarly, deferred inflows related to pensions ($6,605,114) and deferred inflows related to other postemployment benefits ($505,486) decrease the amount of net position reported in the statement of net position, but are not reported as liabilities in the funds.			21,149,997
Net Position of Governmental Activities			$ (23,930,428)

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Capital Projects Public Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
County Property Taxes	$ 122,979,983	$ -	$ 54,109,537	$ -	$ 177,089,520
Local Option Sales Taxes	6,646,573	-	-	8,594,302	15,240,875
Lodging Taxes	-	-	-	8,294,714	8,294,714
Business Taxes	9,681,404	-	-	-	9,681,404
Wheel Taxes	556,116	-	-	11,504,043	12,060,159
Other Local Taxes	2,777,092	-	-	2,085,098	4,862,190
Licenses and Permits	5,220,162	-	-	-	5,220,162
Fines, Forfeitures and Penalties	2,155,077	-	-	1,136,539	3,291,616
Charges for Current Services	7,692,955	-	-	28,309,715	36,002,670
Other Local Revenues	4,842,366	832,396	3,584,765	1,416,103	10,675,630
State of Tennessee	13,916,623	3,731,743	-	12,682,460	30,330,826
Federal Government	1,089,621	-	-	8,207,734	9,297,355
Other Governments and Citizen Groups	514,993	593,012	-	640,182	1,748,187
Payments from Component Units	-	-	13,774,686	-	13,774,686
Increase in Equity Interest in Joint Venture	406,204	-	-	-	406,204
Total Revenues	178,479,169	5,157,151	71,468,988	82,870,890	337,976,198
Expenditures					
Current:					
Finance and Administration	24,864,270	-	-	8,340,061	33,204,331
Finance and Administration - Payments to Component Unit	5,253,874	-	-	-	5,253,874
Administration of Justice	18,758,678	-	-	10,730,076	29,488,754
Public Safety	83,187,863	-	-	2,353,967	85,541,830
Public Safety - Payments to Component Unit	1,191,595	-	-	-	1,191,595
Public Health and Welfare	22,147,234	-	-	13,866,242	36,013,476
Public Health and Welfare - Payments to Component Unit	166,628	-	-	-	166,628
Social and Cultural Services	5,218,606	-	-	13,750,775	18,969,381
Agricultural and Natural Resources	520,063	-	-	-	520,063
Other General Government	13,999,478	37,317	-	9,823,707	23,860,502
Other General Government - Payments to Component Unit	700,000	-	-	-	700,000
Engineering and Public Works	-	-	-	16,474,241	16,474,241
Debt Proceeds Paid to Component Unit	-	2,000,000	-	-	2,000,000
Capital Projects	-	23,645,303	-	-	23,645,303
Debt Service					
Other Debt Service	-	-	1,361,330	-	1,361,330
Trustee's Commission	-	-	1,116,096	-	1,116,096
Principal	-	-	42,929,342	-	42,929,342
Interest	-	-	24,358,994	-	24,358,994
Refunding Bonds Issuance Costs	-	-	391,348	-	391,348
Total Expenditures	176,008,289	25,682,620	70,157,110	75,339,069	347,187,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,470,880	(20,525,469)	1,311,878	7,531,821	(9,210,890)
Other financing sources (uses)					
Transfers from Other Funds	12,022,068	1,379,883	195,803	5,747,861	19,345,615
Transfers to Other Funds	(9,255,801)	(324,484)	(125,000)	(12,592,951)	(22,298,236)
Refunding Bonds Issued	-	-	57,780,000	-	57,780,000
Premium on Refunding Bonds	-	-	3,980,220	-	3,980,220
Payment to Holders of Refunded Debt	-	-	(61,368,872)	-	(61,368,872)
Total Other Financing Sources (Uses)	2,766,267	1,055,399	462,151	(6,845,090)	(2,561,273)
Net Change in Fund Balances	5,237,147	(19,470,070)	1,774,029	686,731	(11,772,163)
Fund Balances, July 1	74,825,034	6,222,703	14,916,876	19,159,113	115,123,726
Fund Balances, June 30	$ 80,062,181	$ (13,247,367)	$ 16,690,905	$ 19,845,844	$ 103,351,563

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

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds		$ (11,772,163)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($29,970,672) exceeded capital outlays ($21,643,189) in the current period.		(8,327,483)
Capital assets contributed by developers are not recognized as revenues in the fund financial statements, but are recognized as revenues in the statement of activities.		3,440,398
Certain capital assets constructed by the primary government and contributed to the Board of Education component Unit are not recognized as expenditures in the fund financial statements, but are recognized as expenses in the statement of activities.		(3,407,868)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.		4,298,987
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.		(4,218,398)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is reflected as an expenditure in the governmental funds, whereas the repayment reduces long-term liabilities in the statement of net position. Debt principal payments ($102,851,804) exceeded debt proceeds ($57,780,000) by this amount.		45,071,804
Expenses reported in the statement of activities include amortization of the deferred amount on debt refunding ($865,587). In addition, the amortization of bond premium results in reduction of expenses of $2,047,078. These amounts do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		1,181,491
Debt issued at a premium ($3,980,220) provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. The payments to bondholders in the advance refunding transaction include $2,323,734 that used current financial resources in the governmental funds, but increased deferred outflows of unamortized amount on refundings in the statement of net position. In addition, the reduction in unamortized bond premium relating to the refunded bonds totaled $570,138.		(1,086,348)
The decrease in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities did not use current resources in governmental funds.		1,839,922
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities.		2,226,709
Certain assets, liabilities, deferred inflows, and deferred outflows accounted for using the economic resources focus and accrual basis of accounting are reported in the Statement of Net Position but are not reported in the fund financial statements, which include only items that are accounted for using current financial resources measurement and modified accrual basis of accounting. These amounts do not provide or require the use of current financial resources and, therefore, are not reflected in the revenues or expenditures of governmental funds:		
Increase (decrease) in assets and deferred outflows:		
Deferred Outflows Related to Other Post-employment Benefits	$ 1,634,580	
Deferred Outflows Related to Pensions	1,306,491	2,941,071
(Increase) decrease in liabilities and deferred inflows:		
Accrued Interest	765,306	
Net Pension Liability	(817,036)	
Deferred Inflows Related to Pensions	(3,484,260)	
Other Post-employment Benefit Liability	(1,734,858)	
Deferred Inflows Related to Other Post-employment Benefits	(505,486)	
Compensated Absences Liability	(447,772)	(6,224,106)
Change in Net Position of Governmental Activities		$ 25,964,016

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
County Property Taxes	$ 123,003,000	$ 123,003,000	$ 122,979,983	$ (23,017)
Local Option Sales Taxes	4,910,500	4,910,500	6,646,573	1,736,073
Business Taxes	8,750,000	8,750,000	9,681,404	931,404
Wheel Taxes	530,000	530,000	556,116	26,116
Other Local Taxes	2,617,500	2,676,963	2,777,092	100,129
Licenses and Permits	4,682,750	4,682,750	5,220,162	537,412
Fines, Forfeitures and Penalties	2,053,000	2,274,377	2,155,077	(119,300)
Charges for Current Services	6,924,800	6,961,977	7,692,955	730,978
Other Local Revenues	4,574,663	4,625,572	4,842,366	216,794
State of Tennessee	9,697,080	11,732,198	13,916,623	2,184,425
Federal Government	1,199,000	1,199,000	1,089,621	(109,379)
Other Governments and Citizen Groups	561,401	575,101	514,993	(60,108)
Increase in Equity Interest in Joint Venture	-	-	406,204	406,204
Total Revenues	169,503,694	171,921,438	178,479,169	6,557,731
Expenditures				
Current:				
Finance and Administration	26,400,726	25,593,999	24,864,270	729,729
Finance and Administration - Payments to Component Unit	5,153,874	5,253,874	5,253,874	-
Administration of Justice	19,051,631	18,960,502	18,758,678	201,824
Public Safety	83,069,890	83,588,829	83,187,863	400,966
Public Safety - Payments to Component Unit	1,191,595	1,191,595	1,191,595	-
Public Health and Welfare	22,290,251	22,497,184	22,147,234	349,950
Public Health and Welfare - Payments to Component Unit	166,628	166,628	166,628	-
Social and Cultural Services	4,937,517	5,238,337	5,218,606	19,731
Agricultural and Natural Resources	539,892	543,464	520,063	23,401
Other General Government	12,544,535	14,046,709	13,999,478	47,231
Other General Government - Payments to Component Unit	700,000	700,000	700,000	-
Total Expenditures	176,046,539	177,781,121	176,008,289	1,772,832
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,542,845)	(5,859,683)	2,470,880	8,330,563
Other Financing Sources (Uses)				
Transfers from Other Funds	10,042,822	10,042,822	12,022,068	1,979,246
Transfers to Other Funds	(5,405,891)	(9,257,186)	(9,255,801)	1,385
Total Other Financing Sources	4,636,931	785,636	2,766,267	1,980,631
Net Change in Fund Balances	$ (1,905,914)	$ (5,074,047)	5,237,147	$ 10,311,194
Fund Balances, July 1			74,825,034	
Fund Balances, June 30			$ 80,062,181	

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

KNOX COUNTY, TENNESSEE

Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ -	$ 37,417,642
Receivables:		
Accounts	7,370	564,157
Due from Component Units	-	377,429
Inventories	69,774	140,336
Prepaid Items	-	39,261
TOTAL CURRENT ASSETS	77,144	38,538,825
Capital Assets:		
Capital Assets (Net of Accumulated Depreciation)	489,551	136,852
TOTAL ASSETS	566,695	38,675,677
LIABILITIES		
Current Liabilities:		
Accounts Payable	23,788	781,056
Accrued Liabilities	10,878	242,837
Due to Other Funds	43,434	3,726
Claims Liability	-	19,697,509
Compensated Absences Payable	31,044	182,737
TOTAL CURRENT LIABILITIES	109,144	20,907,865
Noncurrent Liabilities:		
Compensated Absences Payable	14,609	20,304
TOTAL LIABILITIES	123,753	20,928,169
NET POSITION (DEFICIT)		
Investment in Capital Assets	489,551	136,852
Unrestricted	(46,609)	17,610,656
TOTAL NET POSITION	$ 442,942	$ 17,747,508

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

KNOX COUNTY, TENNESSEE

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	$ 814,837	$ 85,347,286
Payments from Component Unit	-	1,590,000
Total Operating Revenues	814,837	86,937,286
Operating Expenses		
Cost of Services	1,078,490	20,270,282
Depreciation and Amortization	45,133	82,417
Medical Claims	-	26,643,876
Retirement Contributions	-	31,743,067
VWRP Employee Benefits	-	17,924
OPEB 35% Health Contributions	-	850,000
Other Employee Benefits	-	809,115
Worker's Compensation & Other Claims	-	6,407,802
Other Expenses	57,388	518,715
Total Operating Expenses	1,181,011	87,343,198
Operating Income (Loss)	(366,174)	(405,912)
Capital Contributions and Transfers		
Capital Contributions	44,876	-
Transfers to Other Funds	-	(2,900,000)
Transfers from Other Funds	320,000	5,532,621
Total Capital Contributions and Transfers	364,876	2,632,621
Change in Net Position	(1,298)	2,226,709
Total Net Position, July 1	444,240	15,520,799
Total Net Position, June 30	$ 442,942	$ 17,747,508

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

KNOX COUNTY, TENNESSEE

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Fund	Internal Service Funds
Operating Activities		
Cash Received from Customers	$ 809,747	$ -
Cash Received from Interfund Services Provided	-	86,806,136
Cash Received from Component Unit	-	1,590,000
Cash Paid to Employees	(518,552)	(2,104,304)
Cash Paid for Goods and Services	(611,196)	(21,828,232)
Cash Paid on Behalf of Employees	-	(61,523,555)
Net Cash Provided by (Used in) Operating Activities	(320,001)	2,940,045
Noncapital Financing Activities		
Transfers from Other Funds	-	5,532,621
Transfers to Other Funds	-	(2,900,000)
Net Cash Provided by Noncapital Financing Activities	-	2,632,621
Capital and Related Financing Activities		
Transfers from Other Funds for Capital Purposes	320,000	-
Capital Contributions	44,876	-
Acquisition and Construction of Capital Assets	(44,875)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	320,001	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	5,572,666
Cash and Cash Equivalents		
Beginning of Year	-	31,844,976
End of Year	$ -	$ 37,417,642
Reconciliation of Operating Income (Loss)		
to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ (366,174)	$ (405,912)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	45,133	82,417
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(5,090)	84,298
Decrease in Due from Other Funds	-	1,264,457
Decrease in Due from Component Units	-	110,095
(Increase) Decrease in Inventories	2,056	(50,429)
Increase in Prepaid Items	-	(7,681)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	5,862	(701,618)
Increase (Decrease) in Due to Other Funds	8,546	(178,832)
Decrease in Compensated Absences	(10,334)	(9,103)
Increase in Claims Liabilities	-	2,752,353
Total Adjustments	46,173	3,345,957
Net Cash Provided by (Used in) Operating Activities	$ (320,001)	$ 2,940,045

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

KNOX COUNTY, TENNESSEE

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 17,475,941	$ 30,474,766
Investments, at Fair Value:		
Mutual Funds	469,218,657	-
Collective Investment Trusts	21,390,840	-
Investments, at Contract Value:		
Guaranteed Investment Contracts	77,122,781	-
Total Investments	567,732,278	-
Receivables:		
Accounts	-	8,978,800
Notes Receivable from Participants	2,898,513	-
Receivable from Other Plans	358,791	-
Receivable from Investment Sold	1,179,190	-
Accrued Interest and Dividends	45	-
Total Receivables	4,436,539	8,978,800
Total Assets	589,644,758	$ 39,453,566
LIABILITIES		
Accounts Payable	-	$ 8,198,569
Accrued Liabilities	-	5,669,785
Accounts Payable - Administrative Expenses	301,555	-
Accounts Payable - To Other Plans	358,791	-
Due to Other Governments	-	7,356,308
Due to Litigants, Heirs and Others	-	18,228,904
Total Liabilities	660,346	$ 39,453,566
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS	$ 588,984,412	

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

KNOX COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Position
Pension, Retirement and Other Post-Employment Benefit Trust Funds
For the Year Ended June 30, 2018

ADDITIONS		
Contributions:		
Employer	$	21,673,093
Employees		13,651,505
Rollovers		859,937
Total Contributions		36,184,535
Investment Income (Loss):		
Interest and Dividend Income		5,212,353
Interest on Notes Receivable from Participants		123,773
Net Appreciation (Depreciation) in Fair Value of Investments		40,118,294
Total Investment Income		45,454,420
Less Investment Expenses		(464,820)
Net Investment Income		44,989,600
Other:		
Transfers from Other Plans		675,173
Total Additions		81,849,308
DEDUCTIONS		
Benefits and Refunds		39,151,526
Administrative Expenses		2,135,423
Transfers to Other Plans		675,173
Total Deductions		41,962,122
CHANGE IN NET POSITION		39,887,186
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, BEGINNING OF YEAR		549,097,226
NET POSITION - RESTRICTED FOR PENSION, OPEB, AND RETIREMENT BENEFITS, END OF YEAR	$	588,984,412

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

Notes to Financial Statements

KNOX COUNTY, TENNESSEE
Notes to Financial Statements
June 30, 2018

Index

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Component Units - the County

The Knox County Board of Education (the Board) consists of nine members elected by voters of the County and one superintendent appointed by members of the Board. The Board is fiscally dependent on the County because the County levies taxes for the Board, issues debt on behalf of the Board and approves the Board's Budget. The Board is responsible for elementary and secondary education within the County's jurisdiction. The Board operates a total of 89 vocational and handicapped centers, primary, intermediate, middle and high schools. The full-time equivalent average daily membership during the 2017 - 2018 school year was 58,903 with a full time equivalent average daily attendance of 55,426. During the previous year, the full time equivalent average daily membership was 58,427 with a full time equivalent average daily attendance of 55,004.

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Major Component Unit - the Board

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

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

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

B. Government-wide and Fund Financial Statements

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

> *Enterprise funds* account for operations that provide services primarily to the general public on a user charge basis. The Three Ridges Golf Course operations are accounted for as an enterprise fund.
>
> *Internal service funds* account for operations of the County that provide services to other departments, agencies, other governments, component units, and joint ventures on a cost reimbursement basis.

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Component Units

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

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

The County maintains a pooled cash system through the Knox County Trustee. The fair value of purchased investments and investment income at fiscal year-end is allocated to major funds based on the total cash position of that fund at fiscal year-end. In accordance with County directive, the County and Board record investment income where approved and allocated in the annual budget, primarily to the County's General Fund, Debt Service Fund, Public Improvement Fund, School General Fund, and School Construction Fund.

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

Investments are reported at fair value. Realized gains and (losses) from the sale of investments are calculated separately from the change in the fair value. Realized gains or (losses) in the current period include unrealized amounts from prior periods. Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis.

Investments - Fiduciary Fund - The pension trust fund's investments except for guaranteed investment contracts (GIC), are stated at fair value. Guaranteed investment contracts are valued at contract value. Investment income includes realized gains (losses) from the sale of investments, unrealized gains (losses) in the change in market values, and interest and dividend income earned during the year, net of investment related expenses. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Receivables, Payables, and Unearned Revenue

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories and Prepaid Assets

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

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

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

Derivative Instruments

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53) as amended by GASB Statement No. 72, *Fair Value Measurement and Application,* requires the County to recognize all its derivative instruments on the Statement of Net Position at fair value.

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

Capital Assets

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Compensated Absences

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation, compensatory time and sick pay benefits. The County's and Board's policy for retiring employees is that they may be paid for unused sick leave in varying amounts up to a maximum of $10,000 for the County and one year's salary for the Board. Vacation, compensatory, and sick leave benefits from the County's and the Board's governmental funds are not reported in their respective fund financial statements because it is not expected that such amounts would be liquidated with expendable available financial resources. For the County and Component Unit governmental activities, compensated absences liabilities are generally liquidated by the respective general fund. The compensated absences liability and the related change in liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Risk Financing Activities

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

Long-Term Obligations

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

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

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the County is the County Commission. Amounts are reported as committed pursuant to resolutions passed by Commission (legislative branch), which have also been approved by the County Mayor (executive branch.)

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

Unassigned fund balance is the residual balance in the general fund (i.e., fund balance that is not nonspendable, and is not restricted, committed, or assigned.) The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Outflows/Inflows of Resources

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

E. Additional Information

Comparative Data/Reclassifications

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

Certain items have been reclassified from the prior year to conform to current year presentation that has no effect upon prior year results.

Estimates

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

Budget Basis/Authority

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

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

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

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

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

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

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Budgetary Process

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

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

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

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

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued *Budget Report to Citizenry.* Copies of the report may be obtained from the Knox County Department of Finance or online at: https://knoxcounty.org/finance/pdfs/budget_report_citizenry/fy063018.pdf.

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

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized for budgetary control purposes in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are included in the balances of assigned, committed, or restricted fund balance based on the purposes for which the resources that will be used to liquidate the encumbrances have been classified. Encumbrances are not treated as expenditures for financial reporting purposes. Outstanding encumbrances are reappropriated in the subsequent year. Significant encumbrances at June 30, 2018 include $818,258 for the County's General Fund and $1,566,416 for the Board's General Fund. Significant commitments related to the County's Public Improvement Fund and the Board's School Construction Fund are described in Note IV E.

Supplemental Appropriations

The following schedule shows the annual budget originally adopted expenditures and transfers out for the County and the Board, and the revisions to that budget as authorized by the County Commission, for the year ended June 30, 2018:

Fund	Original Budget	Revisions	Final Budget
Governmental Funds:			
General Fund	$ 181,452,430	$ 5,585,877	$ 187,038,307
Special Revenue Funds:			
State, Federal and Other Grants	160,000	2,472,518	2,632,518
Governmental Library	107,892	5,000	112,892
Public Library	13,509,117	245,422	13,754,539
Solid Waste	4,166,772	270,252	4,437,024
Hotel/Motel Tax	8,000,000	650,000	8,650,000
Drug Control	777,500	74,270	851,770
Engineering & Public Works	15,552,891	1,746,551	17,299,442
Total Special Revenue Funds	42,274,172	5,464,013	47,738,185
Debt Service Fund	75,500,000	516,348	76,016,348
Total - Governmental Funds	$ 299,226,602	$ 11,566,238	$ 310,792,840

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

Fund	Original Budget	Revisions	Revised Budget
Component Unit - the Board:			
General Fund:			
General Purpose School	$ 471,146,000	$ 10,012,947	$ 481,158,947
Special Revenue Fund:			
Central Cafeteria	28,570,000	1,189,868	29,759,868
Total - the Board	$ 499,716,000	$ 11,202,815	$ 510,918,815

Remaining supplemental appropriations primarily represent funds designated during the previous fiscal year, encumbrances outstanding at June 30, 2017 reappropriated during fiscal year 2018, and grant awards appropriated at the time the award is received.

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

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

Other investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. LGIP investments are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the Pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held in the Pool at the balance sheet date. There are no minimum or maximum dollar limits on the size of withdrawal transactions. In most cases, a withdrawal will be honored the same day it is requested. However, withdrawals of $5,000,000 or more will be honored the next working day after request.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's governmental activities investments follow their adopted investment policy and are monitored and managed by an Investment Committee, whose objectives are to maximize earnings while reducing the exposure to interest rate risks to a low level by utilizing a mixture of short and long-term maturity investments so that the changing interest rates will cause only minimal deviations in the net asset value. Investment maturities shall not exceed three years without the approval of the Investment Committee or greater than five years without the approval from the Director of State and Local Finance or as otherwise provided by State Statute. Investments of bond proceeds shall not exceed two years without the approval

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

of the Investment Committee. The County's investments are primarily in U.S. Government Securities and securities issued by agencies of the U.S. Government. The County's and Board's Pension Trust fund activities are managed by the Knox County Retirement Board (see separately issued Pension Trust Fund Statements), whose objectives are to maximize earnings while reducing the exposure to interest rate risks to an appropriate level by using a mixture of long-term and short-term investments in various debt and equity securities. The investments of the County's defined benefit plans and the Board's defined benefit plan are included in a single trust account. The following represents the County's and the Board's governmental activities investments and the activities of the County's and the Board's Pension Trust funds:

	Primary Government Governmental Activities		Fiduciary Activities	
	Fair Value or Carrying Amount	Weighted Average Maturity (Years)	Fair Value or Carrying Amount	Weighted Average Maturity (Years)
Cash Equivalents Classified as Investments	$ 1,628		$ 22,242,788	
Certificates of Deposit held greater than 90 days	2,242,202		-	
Collective Investment Trusts	-		21,390,840	
Mutual Funds	-		521,558,762	
Fixed Income Securities:				
U.S. Treasuries	16,873,730	0.651	-	
Federal Agency Mortgage Backed Securities	11,145,387	0.487	-	
Federal Agency Debt Securities	12,525,687	0.470	-	
Municipal Bonds	21,674,622	0.704	-	
Total Fixed Income Securities	62,219,426		-	
Investments, at Contract Value:				
Guaranteed Investment Contracts	-		77,122,781	
Total Investments:	$ 64,463,256		$ 642,315,171	

The Pension Board investments are allocated to the County's and Board's pension trust funds of $585,208,219 and $57,106,952, respectively. The Pension Board investments include the Post-Retirement Incentive Medical Trust (Retiree Healthcare Plan) adopted in 2017 as described in Note V A. The Pension Board does not operate the trust account. It is managed by the Knox County Finance Department with the direction of USI.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Custodial credit risk

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

A portion of the County's, the Board's and the District's deposits at June 30, 2018 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the State). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held and must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required to pay an assessment to cover any deficiency.

Credit risk

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

	Primary Government Governmental Activities Fair Value	Standard & Poor's and Moody's Credit Ratings	
U.S. Treasuries	$ 16,873,730	Aaa	Moody's
Federal Agency Mortgage Backed Securities	11,145,387	AA+	S&P
Federal Agency Debt Securities	11,928,590	AA+	S&P
Federal Agency Debt Securities	597,097	Aaa	Moody's
Municipal Bonds	639,680	AAA	S&P
Municipal Bonds	510,690	Aaa	Moody's
Municipal Bonds	2,030,883	Aa3	Moody's
Municipal Bonds	6,527,975	AA+	S&P
Municipal Bonds	4,663,504	AA-	S&P
Municipal Bonds	5,218,006	AA	S&P
Municipal Bonds	861,922	A+	S&P
Municipal Bonds	1,221,962	A	S&P
Total Fixed Income Securities	$ 62,219,426		

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Concentration of Credit Risk

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

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

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

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

Investments Measured at Fair Value

GASB Statement No. 72 generally requires that investments be measured at fair value and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, primarily include certain U.S. Government obligations, common stock and preferred stock equities. These investments are traded daily in public markets in the United States and other foreign countries. The fair value of these investments is based on the last reported sales price on the last day of the fiscal year.

Investments that trade in markets that are not considered to be actively traded on a daily basis, but are valued based on quoted market prices, dealer and broker quotations, bid prices, or alternative pricing sources using observable inputs, are classified within Level 2. These include certain U.S. Government and foreign obligations, interest-earning investment contracts – certificates of deposit (participating), investment grade corporate bonds and bank loans, certain mortgage and asset backed securities, less-liquid listed securities, certain government agency securities, and foreign currency exchange purchase and sales contracts. Common and collective trust funds, investment entities and short-term investment funds, whose underlying assets are primarily invested in securities that are actively traded, are measured based upon the redemption value of each unit on the last business day of the plan year.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include private equity funds, real estate investment, limited partnerships, certain mortgage and asset backed and common and collective trust funds that are primarily invested in real estate. The fair value of these investments is determined by estimates provided by independent pricing sources in asset classes, non-binding bid prices from industry vendors and managers, and the net asset value on the last day of plan year.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The fair value measurements of the County and the Board's investments at June 30, 2018 are as follows:

Primary Government - Governmental Activities	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities:				
US Treasuries	$ 16,873,730	$ 16,873,730	$ -	$ -
Fixed Government Agency	23,671,074	-	23,671,074	-
Municipal Bonds	21,674,622	-	21,674,622	-
Total Debt Securities by Fair Value Level	62,219,426	16,873,730	45,345,696	-
Interest-earning Investment Contracts - Certificates of Deposit	2,242,202	-	2,242,202	-
Total Investment by Fair Value Level	$ 64,461,628	$ 16,873,730	$ 47,587,898	$ -

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities and certificates of deposit are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. The certificates of deposit are participating as defined by GASB and meet the criteria for fair value reporting. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Fiduciary Activities - Primary Government and Board	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Investments:				
Mutual Funds	$ 521,558,762	$ 521,558,762	$ -	$ -

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The following is a description of the valuation techniques used to measure investments at fair value for the Fiduciary Activities:

> *Interest-Bearing Deposits and Money Market Funds:* Valued at purchase price, which approximates fair value.
>
> *Debt Securities:* Typically this category includes corporate bonds, U.S. Treasuries, Federal agency debt securities, Federal agency mortgage backed securities and municipal bonds. Values are based upon quotes obtained from national or international exchanges and other observable inputs from market data and are classified as level 1 or 2 of the fair value hierarchy.
>
> *Mutual Funds:* Valued at quoted market prices which represent the net asset value of shares held by the plans at year end and classified as level 1 of the fair value hierarchy.
>
> *Collective Investment Trusts (Investments Measured at the NAV):* Fair value for these investments are not readily determinable and instead, as a practical expedient, fair value is determined based on the Net Asset Value (NAV) per share. Fair value is determined based on the collective trust's share price multiplied by the number of shares owned, as based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Investments measured at the NAV are excluded from the fair value hierarchy. These collective investment trusts are external investment pools not registered with the SEC and are, instead, regulated primarily by the Office of the Comptroller of the Currency (OCC) as well as various, DOL, FDIC and state banking laws.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the plan administrator believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation techniques used in the fair value measurements from the prior year.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments Measured at the Net Asset Value (NAV)	Total	Redemption Frequency	Redemption Notice Period
Collective Investment Trusts:			
Stable Value Funds	$ 21,390,840	Daily	0 days

The following is a description of the valuation technique used to measure investments at the net asset value (NAV) per share:

1. *Stable Value Funds:* This type primarily includes investments in high quality stable value investment contracts such as guaranteed investment contracts (GICs), synthetic GICs, and separate account contracts. Fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

The GICs are group annuity contracts that offer full guarantees on principal and interest by the insurance company (issuer). The contracts are fully benefit-responsive. GICs are recorded at their contract value and are a promise to pay interest at crediting rates which are announced in advance and guaranteed for a specified period of time as outlined in the group annuity contracts. Contract value represents deposits made to the contracts, plus earnings at guaranteed crediting rates, less withdrawals and fees.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

Primary Government

	Major Governmental Funds							
	General	Debt Service	Capital Projects Public Improvement	Nonmajor Governmental Funds	Internal Service	Enterprise Fund	Total Primary Government	Trust and Agency
Receivables:								
Taxes	$120,803,730	$58,373,813	$ -	$ -	$ -	$ -	$179,177,543	$ -
Accounts	10,266,383	190,540	1,450,104	9,129,903	564,157	7,370	21,608,457	13,415,339
Gross Receivables	131,070,113	58,564,353	1,450,104	9,129,903	564,157	7,370	200,786,000	13,415,339
Less: Allowances for Uncollectibles	(1,783,619)	(862,959)	-	-	-	-	(2,646,578)	-
Net Total Receivables	$129,286,494	$57,701,394	$ 1,450,104	$ 9,129,903	$ 564,157	$ 7,370	$198,139,422	$ 13,415,339

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

Component Units:	Government-wide Totals			
	The Board	The Partnership	The District	The Corporation
Receivables:				
Taxes	$ 108,606,553	$ -	$ -	$ -
Accounts	42,371,927	660,777	63,824	550,148
Gross Receivables	150,978,480	660,777	63,824	550,148
Less: Allowances for Uncollectibles	(1,592,945)	(17,575)	-	-
Net Total Receivables	$ 149,385,535	$ 643,202	$ 63,824	$ 550,148

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

The General Fund has the following note receivable at June 30, 2018:

(1) A note receivable from the Knoxville-Knox County Community Action Committee (CAC) with an initial balance of $2,300,000 was originated during the fiscal year ended June 30, 2004. The note resulted from an arrangement between the County and CAC whereby certain proceeds from debt issued by the County were used to construct a facility on CAC's behalf. CAC agreed to reimburse the County by repaying the annual amounts of the County's related debt service requirements. The resulting note receivable is due in varying principal installments, plus interest, through 2022. As of June 30, 2018, $615,000 remained outstanding.

The County's Debt Service Fund has the following note receivable at June 30, 2018:

(1) Note receivable from the West Knox Utility District of Knox County (WKUD) has a current balance of $1,455,000. The basis of this note is an agreement made by the County to participate with the district to expedite utility relocation and upgrading necessary for construction of improved roadways within the northwest portion of the County. The district was advanced up to $2,000,000, which was disbursed by the County in installments upon receipt of draw notices. The note is non-interest bearing and is payable in four varying installments every five years. The amount to be repaid also includes $140,000, recognized as revenue when received, that the district must pay to cover the County's administrative, accounting and financial costs associated with the agreement. The final installment of this note receivable was made in August 2018.

The County's Public Improvement Fund has the following loan receivable at June 30, 2018:

(1) Loan receivable from Helen Ross McNabb Center with an initial balance of $250,000 was originated during the fiscal year ended June 30, 2017. The non-interest bearing loan is for the purpose of providing funding for improvements to a facility that the County owns and McNabb occupies. The County and McNabb are splitting the cost of the improvements. Repayment of the loan will be made in 10 annual installments of $25,000 through 2026, contingent on McNabb continuing to occupy the space and continuing to provide certain services to the County. As of June 30, 2018, $200,000 remained outstanding.

The State, Federal and Other Grants Special Revenue Fund had $939,743 of notes receivable at June 30, 2018. These note agreements are from eligible County citizens participating in various state and federal low-income housing projects. These notes are executed with a range of below market interest rates and varying repayment terms.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Advances to Other Entity

During the fiscal year ended June 30, 2006, the County advanced $2,500,000 to the Knoxville-Knox County Community Action Committee (CAC). An additional advance during the fiscal year ended June 30, 2009 for $3,500,000 was made to CAC from Knox County. These advances were made to provide funding for operations and are to be repaid from grant monies and other funding received by CAC. During the fiscal year ended June 30, 2011, CAC paid the County $3,500,000, $35,000 in fiscal year 2014 and $20,000 in fiscal 2017. CAC made no payments to the County in fiscal 2018 against the outstanding balance of $2,445,000.

C. Capital Assets

Activity in the County's and the Component Unit's capital assets for the fiscal year ended June 30, 2018, was the following:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 105,014,525	$ 1,327,304	$ -	$ 106,341,829
Construction in Progress	10,457,503	14,713,061	15,239,223	9,931,341
Total Capital Assets, not being depreciated	115,472,028	16,040,365	15,239,223	116,273,170
Capital Assets being depreciated:				
Buildings	237,127,774	1,052,618	-	238,180,392
Land Improvements	25,578,845	1,055,514	-	26,634,359
Machinery and Equipment	65,750,016	5,114,495	874,483	69,990,028
Intangible Assets	17,086,442	197,462	41,777	17,242,127
Infrastructure	590,281,998	15,714,154	2,060,521	603,935,631
Total Capital Assets being depreciated	935,825,075	23,134,243	2,976,781	955,982,537
Less Accumulated Depreciation for:				
Buildings	107,764,439	8,758,719	-	116,523,158
Land Improvements	17,295,009	911,718	-	18,206,727
Machinery and Equipment	40,117,309	5,086,746	671,264	44,532,791
Intangible Assets	15,989,223	304,370	41,777	16,251,816
Infrastructure	261,529,708	14,991,536	4,074	276,517,170
Total Accumulated Depreciation	442,695,688	30,053,089	717,115	472,031,662
Total Capital Assets being depreciated, net	493,129,387	(6,918,846)	2,259,666	483,950,875
Governmental Activities Capital Assets, net	$ 608,601,415	$ 9,121,519	$ 17,498,889	$ 600,224,045

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Three Ridges Golf Course:				
Capital Assets, not being depreciated:				
Land	$ 880	$ -	$ -	$ 880
Total Capital Assets, not being depreciated	880	-	-	880
Capital Assets being depreciated:				
Buildings	754,504	-	-	754,504
Land Improvements	66,463	-	-	66,463
Machinery and Equipment	464,234	44,875	-	509,109
Intangible Assets	25,448	-	-	25,448
Total Capital Assets being depreciated	1,310,649	44,875	-	1,355,524
Less Accumulated Depreciation for:				
Buildings	459,874	21,226	-	481,100
Land Improvements	66,463	-	-	66,463
Machinery and Equipment	269,935	23,907	-	293,842
Intangible Assets	25,448	-	-	25,448
Total Accumulated Depreciation	821,720	45,133	-	866,853
Total Capital Assets being depreciated, net	488,929	(258)	-	488,671
Business-type Activities Capital Assets, net	$ 489,809	$ (258)	$ -	$ 489,551

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

Finance and Administration	$ 5,084,471
Administration of Justice	869,486
Public Safety	3,883,404
Public Health and Welfare	905,413
Social and Cultural Services	2,748,561
Other General Government	710,325
Engineering & Public Works	15,851,429
Total Depreciation Expense - Governmental Activities	$ 30,053,089

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Component Unit – the Board

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 23,184,098	$ -	$ -	$ 23,184,098
Construction in Progress	34,568,175	39,615,238	71,954,263	2,229,150
Total Capital Assets, not being depreciated	57,752,273	39,615,238	71,954,263	25,413,248
Capital Assets being depreciated:				
Buildings	551,593,599	73,671,458	-	625,265,057
Land Improvements	9,495,008	5,602,795	-	15,097,803
Machinery and Equipment	106,395,598	4,139,277	172,183	110,362,692
Intangible Assets	2,209,887	189,431	-	2,399,318
Infrastructure	-	4,767,386	-	4,767,386
Total Capital Assets being depreciated	669,694,092	88,370,347	172,183	757,892,256
Less Accumulated Depreciation for:				
Buildings	237,299,300	13,919,952	-	251,219,252
Land Improvements	2,355,362	872,075	-	3,227,437
Machinery and Equipment	65,259,264	10,474,413	172,183	75,561,494
Intangible Assets	1,441,630	371,813	-	1,813,443
Infrastructure	-	61,232	-	61,232
Total Accumulated Depreciation	306,355,556	25,699,485	172,183	331,882,858
Total Capital Assets being depreciated, net	363,338,536	62,670,862	-	426,009,398
Governmental Activities Capital Assets, net	$ 421,090,809	$ 102,286,100	$ 71,954,263	$ 451,422,646

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund and Component Unit Receivables and Payables

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund receivables and payables as of June 30, 2018, is as follows:

Due to/from Other Funds - Primary Government:

Receivable Fund	Payable Fund	Amount
Major Funds:		
General	Constitutional Officers' Special Revenue Fund	$ 1,802,788
	Public Improvement	10,185,444
	State, Federal and Other Grants	79,753
	Vehicle Service Center	3,726
	Three Ridges Golf Course	43,434
Total Governmental Funds		$ 12,115,145

Due to/from Primary Government and Component Units:

Primary Government - Internal Service Funds:		
Self Insurance	Component Unit - the Board, General Purpose School	$ 377,429

Due to/from Other Funds - The Board:

Major Funds:		
General - General Purpose School	School Federal Projects	$ 5,600,588
	School General Projects	1,210,369
	School Construction	13,556,968
	Central Cafeteria	376,517
		20,744,442
Nonmajor Special Revenue Funds:		
Central Cafeteria	General Purpose School	15,352
Total Board of Education		$ 20,759,794

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of primary government transfers for the year ended June 30, 2018, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
Major Funds:		
General	Constitutional Officers - Special Revenue	$ 12,022,068
Debt Service	General	195,803
Public Improvement	General	84,000
	Debt Service	125,000
	Engineering & Public Works	70,883
	Building Operations	1,100,000
		1,379,883
Total Major Governmental Funds		13,597,754
Nonmajor Governmental Funds:		
Special Revenue Funds:		
State, Federal and Other Grants	General	828,377
	Public Improvement	324,484
		1,152,861
Governmental Library	General	20,000
Public Library	General	1,650,000
Solid Waste	General	300,000
	Engineering & Public Works	500,000
		800,000
Engineering & Public Works	General	2,125,000
Total Nonmajor Governmental Funds		5,747,861
Total Governmental Funds		$ 19,345,615

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transfers - In	Transfers - Out	Amount
Internal Service Funds:		
Vehicle Service Center	General	$ 275,000
Mailroom	General	52,121
Employee Benefits	General	600,000
	Self Insurance Healthcare	850,000
		1,450,000
Self Insurance	General	2,500,000
	Building Operations	950,000
		3,450,000
Technical Support	General	305,500
Total Internal Service Funds		$ 5,532,621
Enterprise Fund:		
Three Ridges Golf Course	General	$ 320,000
Total Enterprise Fund		$ 320,000

In addition, payments of $2,183,787 were made from the Pension Trust – Defined Benefit and Disability Plans to the General Fund for the County Retirement Board administrative expenses. Transfers in to the Self Insurance fund were needed to provide additional funding to support the fund's operations related to increased claims costs.

Transfers Within Component Unit – the Board:

Transfers - In	Transfers - Out	Amount
Special Revenue Funds (Nonmajor):		
General Purpose School	Central Cafeteria	$ 1,560,008
	School General Projects	268,978
		1,828,986
School General Projects	General Purpose School	2,484,365
	School Federal Projects	445,624
		2,929,989
School Federal Projects	General Purpose School	32,346
Total Board of Education		$ 4,791,321

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Transfers and Similar Transactions (Continued)

Transactions between Primary Government and Component Units:

Revenues and Other Sources	Expenses/Expenditures and Other Uses	Amount
Primary Government - Debt Service (Major Fund)	Component Unit - the Board, General Purpose School	$ 13,774,686
Total Primary Government		$ 13,774,686
Component Unit - General Purpose School	Primary Government - General	$ 2,652,000
Component Unit - School Construction	Primary Government - Public Improvement	2,000,000
Component Unit - Great Schools Partnership	Primary Government - General	2,601,874
Component Unit - The District	Primary Government - General	1,358,223
Component Unit - The Corporation	Primary Government - General	700,000
Total Component Units		$ 9,312,097

Transactions between the Board and its Component Unit:

The Board, School General Projects	Component Unit, Great Schools Partnership	$ 242,234

In addition to the above transactions, the Primary Government agreed to contribute funding to construct roads for the new Gibbs and Hardin Valley Middle schools which are operated and maintained by the Board. The total portion paid by the County through June 30, 2018 of $3,407,868 has been reported as a payment from the Primary Government to the Board in the government-wide financial statements.

Furthermore, the Board made payments directly to the lessors under certain capital leases that are reported as long-term obligations of the County, although the related capital assets are reported as assets of the Board. The FY 2018 payments totaling $2,072,682 have been reported as payments from the Board to the Primary Government in the government-wide financial statements.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Unearned Revenues

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

	Fund Financial Statements
Primary Government - Major Funds:	
General Fund:	
Unearned revenue	$ 103,607
Primary Government - Nonmajor Funds:	
General Grants Fund:	
Unexpended grant funds	1,936,673
Total - Primary Government	$ 2,040,280
Component Unit - the Board - Nonmajor Funds:	
Central Cafeteria:	
Unearned revenue	321,670
Total Component Unit - the Board	$ 321,670

G. Deferred Inflows

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

	Fund Financial Statements	Government-wide Financial Statements
Primary Government - Major Funds:		
General Fund:		
Taxes receivable, delinquent	$ 2,897,942	$ -
Taxes receivable, applicable to subsequent fiscal year	115,407,570	115,407,570
Notes receivable, applicable to subsequent fiscal year	616,000	616,000
	118,921,512	116,023,570
Debt Service Fund:		
Taxes receivable, delinquent	1,401,045	-
Taxes receivable, applicable to subsequent fiscal year	55,758,713	55,758,713
	57,159,758	55,758,713
Total - Primary Government	$ 176,081,270	$ 171,782,283
Component Unit - the Board - Major Fund		
General Purpose School:		
Taxes receivable, delinquent	$ 2,610,391	$ -
Taxes receivable, applicable to subsequent fiscal year	103,737,142	103,737,142
Accounts receivable, applicable to subsequent fiscal year	89,015	89,015
Total Component Unit - the Board	$ 106,436,548	$ 103,826,157

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Leases

Capital Leases

All capital leases pertain to governmental activities.

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

The future minimum lease obligations are as follows:

Year Ending June 30,	Primary Government	Component Unit - The Board
2019	$ 2,968,886	$ 425,004
2020	3,013,820	425,004
2021	3,059,849	425,004
2022	3,107,006	425,004
2023	3,155,321	425,004
2024 - 2028	16,544,080	2,125,020
2029 - 2033	8,773,010	1,062,510
2034 - 2037	3,739,940	-
Total Minimum Lease Payments	$ 44,361,912	$ 5,312,550
Less: Amounts Representing Interest	(10,182,766)	(1,137,260)
Present Value of Minimum Lease Payments	$ 34,179,146	$ 4,175,290

As of June 30, 2018, assets recorded under capital leases totaled $114,060,380 ($75,769,232 equipment, $879,609 land, and $37,411,539 buildings and improvements). Related accumulated amortization totaled $64,474,486. Amortization of assets recorded under capital leases is included with depreciation expense.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities

Loans Payable

All loans payable pertain to governmental activities.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 418,428	$ 18,024	$ 436,452
2020	421,576	14,876	436,452
2021	424,750	11,702	436,452
2022	427,947	8,505	436,452
2023	431,167	5,285	436,452
2024 - 2025	470,797	2,062	472,859
Total	$ 2,594,665	$ 60,454	$ 2,655,119

The Partnership has reported non-capital related loans payable of $3,335,000 due in more than one year.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

General Obligation and Public Improvement Bonds

The County issues general obligation and public improvement bonds to provide funds for the acquisition and construction of major capital facilities. Except for the existing debt issued pursuant to the establishment of the Uniformed Officers Pension Plan, all County bonded debt was issued for capital purposes. All bonded debt pertains to governmental activities.

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

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

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

	Interest Rate	Last Maturity Date	Principal Balance
Governmental Activities:			
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	$ 23,883,599
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	4,315,840
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	34,762,856
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	10,587,815
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	37,987,015
General Obligation - Series 2007	Variable Rate (1.90% at 6/30/18)	6/1/2034	50,450,000
General Obligation - Series 2008	Variable Rate (1.54% at 6/30/18)	6/1/2029	17,329,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	971,871
General Obligation - Refunding Bonds, Series 2010B	2.00-5.00%	4/1/2035	1,800,000
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	5,645,000
General Obligation - Series 2010D (Federally Taxable Build America Bonds)	1.125-6.00% (1)	6/1/2035	16,725,000
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	4,760,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	1,716,732
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	13,155,000
General Obligation - Refunding Series 2014B	0.25 - 3.23%	6/1/2027	44,435,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	1,663,395
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	14,845,000
General Obligation - Series 2017	3.0 - 5.0%	6/1/2037	30,790,000
General Obligation - Refunding Series 2017B	2.0 - 5.0%	6/1/2035	42,420,000
Total Bonded Debt to be repaid by Governmental Activities			358,243,123
The Board:			
General Obligation - Series 2003	Variable Rate Swap to 3.95%	6/1/2029	23,466,401
General Obligation - Refunding Series 2004	4.00-5.25%	4/1/2020	6,084,160
General Obligation - Series 2004	Variable Rate Swap to 3.40%	6/1/2029	18,137,144
General Obligation - Refunding Series 2005A	3.569-5.00%	5/1/2021	6,327,185
General Obligation - Series 2005	Variable Rate Swap to 3.89%	6/1/2034	20,512,985
General Obligation - Series 2007	Variable Rate (1.90% at 6/30/18)	6/1/2034	18,550,000
General Obligation - Series 2008	Variable Rate (1.54% at 6/30/18)	6/1/2029	9,331,000
General Obligation - Series 2010A (Federally Taxable Build America Bonds)	1.10-5.75% (1)	6/1/2035	14,578,129
General Obligation - Refunding Bonds, Series 2010C	2.00-4.00%	4/1/2024	10,965,000
General Obligation - Qualified School Construction Bonds	.0% (2)	7/1/2027	16,770,080
General Obligation - Series 2012	2.0 - 4.0%	4/1/2032	7,540,000
General Obligation - Series 2013	2.0 - 4.35%	6/1/2035	1,483,268
General Obligation - Series 2014A	2.125 - 5.00%	6/1/2036	14,235,000
General Obligation - Refunding Series 2015	5.00%	4/1/2019	2,661,605
General Obligation - Series 2016	1.0 - 5.0%	6/1/2036	18,380,000
General Obligation - Series 2017	3.0 - 5.0%	6/1/2037	56,940,000
General Obligation - Refunding Series 2017B	2.0 - 5.0%	6/1/2035	15,360,000
Total Bonded Debt to be repaid by the Board			261,321,957
Total Bonded Debt			$ 619,565,080

(1) Stated interest rates on the Build America Bonds do not include the effects of the interest subsidy expected to be received from the federal government pursuant to the federal Build America Bonds program. The interest rate subsidy, 35% at issuance of the bonds, is being reduced due to sequestration by the federal government. At June 30, 2018, the sequestration rate was 6.6%.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

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

Fiscal Year Ending June 30,	Primary Government Debt Principal	Interest	Total	To be Repaid By: County	Board	Total
2019	$ 43,239,281	$ 26,239,263	$ 69,478,544	$ 38,046,589	$ 31,431,955	$ 69,478,544
2020	41,299,281	24,514,421	65,813,702	36,975,643	28,838,059	65,813,702
2021	39,089,281	22,798,230	61,887,511	35,962,603	25,924,908	61,887,511
2022	33,304,281	21,320,148	54,624,429	31,410,371	23,214,058	54,624,429
2023	34,524,281	20,082,867	54,607,148	31,166,421	23,440,727	54,607,148
2024 - 2028	178,853,675	79,056,224	257,909,899	149,717,865	108,192,034	257,909,899
2029 - 2033	175,270,000	36,275,553	211,545,553	126,754,588	84,790,965	211,545,553
2034 - 2037	73,985,000	4,951,922	78,936,922	40,480,686	38,456,236	78,936,922
Total	$ 619,565,080	$ 235,238,628	$ 854,803,708	$ 490,514,766	$ 364,288,942	$ 854,803,708

The total bonded debt service requirements to be repaid by the County and the Board include interest of $132,271,643 and $102,966,985, respectively, for a total of $235,238,628.

Changes in General Long-Term Liabilities

The following represents the changes in long-term liabilities for the County, the Board, and the District for the year ended June 30, 2018:

	Balance July 1	Additions	Deductions	Balance June 30	Current Portion
Primary Government					
Bonded Debt	$ 662,479,361	$ 57,780,000	$ (100,694,281)	$ 619,565,080	$ 43,239,281
Unamortized Bond Premium	14,844,945	3,980,220	(2,617,216)	16,207,949	2,101,385
Loans Payable	3,009,968	-	(415,303)	2,594,665	418,428
Capital Leases	35,921,366	-	(1,742,220)	34,179,146	1,836,451
Compensated Absences	10,545,869	9,802,147	(9,373,812)	10,974,204	8,809,110
Total - Primary Government	$ 726,801,509	$ 71,562,367	$ (114,842,832)	$ 683,521,044	$ 56,404,655
Component Unit - the Board					
Compensated Absences	$ 16,237,778	$ 6,007,790	$ (3,818,872)	$ 18,426,696	$ 4,075,364
Capital Lease	4,427,778	-	(252,488)	4,175,290	262,775
Total Component Unit - the Board	$ 20,665,556	$ 6,007,790	$ (4,071,360)	$ 22,601,986	$ 4,338,139
Component Unit - the District					
Compensated Absences	$ 343,832	$ 614,536	$ (443,439)	$ 514,929	$ 352,485
Total - the District	$ 343,832	$ 614,536	$ (443,439)	$ 514,929	$ 352,485

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Changes in General Long-Term Liabilities (Continued)

For the primary government, compensated absences totaling $45,653 pertains to the non-major enterprise fund, with the remaining long-term liabilities related to governmental activities.

Subsequent Event – Debt Issuance

In July 2018, the County issued $33,165,000 in general obligation bonds to provide funds for the 2018 Capital Improvement Plan. The bonds bear interest at rates from 4.0% to 5.0% and mature in varying amounts through 2038.

Advance Refunding Issue

During the year, the County issued general obligation Series 2017B refunding bonds with a par value of $57,780,000 to advance refund general obligation issues. The issuance proceeds were placed in an irrevocable trust, which will provide resources for all future debt service payments on the refunded debt. The refunded debts are considered defeased and $58,475,000 of liabilities has been removed from the statement of position. The advance refunding reduced cash flows required for future debt service to be repaid by the County and the Board by $3,847,940 and $1,507,398 respectively, over the next 17 years. The refunding resulted in a combined economic gain (the difference between the present values of the debt service payments on the old and new debt) of $4,337,449.

Interest Rate Swaps

The County's Statement of Net Position includes interest rate swap derivatives with a negative fair value totaling ($21,631,967). The fair value of these derivatives was measured using Level 2 inputs, which were valued using a market approach that considers benchmark interest rates and foreign exchange rates.

Series C-1-A

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.95 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of $72 million and the associated variable-rate bond had a $72 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series C-1-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association lndex™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2018, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.95%
Variable payment to Authority	% of LIBOR	-1.83%
Net interest rate swap payments		2.12%
Variable-rate bond coupon payments		1.54%
Synthetic interest rate on bonds		3.66%

Fair value. As of June 30, 2018, the swap had a negative fair value of ($5,668,403), a change of $1,924,989 compared to the June 30, 2017 balance of ($7,593,392). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2018, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "BBB" by Standard and Poor's as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody's, Standard & Poor's and Fitch, respectively.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

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

Swap payments and associated debt. As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30	Principal	Interest	Net Interest Rate Swap Payment	Total
2019	$ 3,125,000	$ 729,190	$ 1,003,563	$ 4,857,753
2020	3,300,000	681,065	937,330	4,918,395
2021	3,525,000	630,245	867,388	5,022,633
2022	3,750,000	575,960	792,677	5,118,637
2023	3,975,000	518,210	713,197	5,206,407
2024-2028	23,950,000	1,591,590	2,190,459	27,732,049
2029	5,725,000	88,165	121,339	5,934,504
	$ 47,350,000	$ 4,814,425	$ 6,625,953	$ 58,790,378

Series VI-A-1

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

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

Terms. Under the swap, the Authority pays a fixed payment of 3.40 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of $70 million and the associated variable-rate bond had a $70 million original principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-A-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association lndex™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2018, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.40%
Variable payment to Authority	% of LIBOR	-1.71%
Net interest rate swap payments		1.69%
Variable-rate bond coupon payments		1.54%
Synthetic interest rate on bonds		3.23%

Fair value. As of June 30, 2018, the swap had a negative fair value of ($4,981,428), a change of $1,839,922 compared to the June 30, 2017 balance of ($6,821,350). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Credit risk. As of June 30, 2018, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "BBB" by Standard and Poor's as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody's, Standard & Poor's and Fitch, respectively.

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

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

Swap payments and associated debt. As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2019	$ 3,600,000	$ 814,660	$ 893,926	$ 5,308,586
2020	3,810,000	759,220	833,092	5,402,312
2021	4,030,000	700,546	768,709	5,499,255
2022	4,260,000	638,484	700,608	5,599,092
2023	4,500,000	572,880	628,621	5,701,501
2024-2028	26,530,000	1,743,588	1,913,238	30,186,826
2029	6,170,000	95,018	104,263	6,369,281
	$ 52,900,000	$ 5,324,396	$ 5,842,457	$ 64,066,853

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Series D-3-A

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

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

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.89 percent and receives a variable payment computed as 63.2 percent of the five-year London Interbank Offered Rate (LIBOR). At inception, the swap had a notional amount of $77 million and the associated variable-rate bond had a $77 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-3-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2018, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment by Authority	Fixed	3.89%
Variable payment to Authority	% of LIBOR	-1.83%
Net interest rate swap payments		2.06%
Variable-rate bond coupon payments		1.91%
Synthetic interest rate on bonds		3.97%

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Fair value. As of June 30, 2018, the swap had a negative fair value of ($10,982,136), a change of $2,429,545 compared to the June 30, 2017 balance of ($13,411,681). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2018, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "BBB" by Standard and Poor's as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody's, Standard & Poor's and Fitch, respectively.

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

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

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Liabilities (Continued)

Swap payments and associated debt. As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30	Principal	Interest	Net Interest Rate Swap Payment	Total
2019	$ 2,375,000	$ 1,119,207	$ 1,207,122	$ 4,701,329
2020	2,500,000	1,073,769	1,158,115	4,731,884
2021	2,625,000	1,025,940	1,106,529	4,757,469
2022	1,075,000	975,719	1,052,363	3,103,082
2023	1,000,000	955,153	1,030,181	2,985,334
2024-2028	5,700,000	4,470,133	4,821,267	14,991,400
2029-2033	34,150,000	3,124,215	3,369,625	40,643,840
2034	9,075,000	173,621	187,259	9,435,880
	$ 58,500,000	$ 12,917,757	$ 13,932,461	$ 85,350,218

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity

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

	Major Funds			
	General	Public Improvement Capital Projects	Debt Service	Total
Fund balances:				
Nonspendable:				
Inventories	$ 240,531	$ -	$ -	$ 240,531
Prepaids	123,519	-	-	123,519
Investment in Joint Venture	5,563,041	-	-	5,563,041
	5,927,091	-	-	5,927,091
Restricted for:				
Finance and Administration	307,416	-	-	307,416
Administration of Justice	652,163	-	-	652,163
Public Safety	388,565	-	-	388,565
Public Health & Welfare	1,043,531	-	-	1,043,531
Social and Cultural	25,589	-	-	25,589
Debt Service	-	-	1,221,151	1,221,151
	2,417,264	-	1,221,151	3,638,415
Committed to:				
Finance and Administration	727,250	-	-	727,250
Administration of Justice	355,731	-	-	355,731
Public Safety	790,000	-	-	790,000
Public Health & Welfare	416,500	-	-	416,500
Social and Cultural	180,000	-	-	180,000
Other General Government	2,405,000	-	-	2,405,000
Debt Service	-	-	15,469,754	15,469,754
	4,874,481	-	15,469,754	20,344,235
Assigned to:				
Finance and Administration	504,192	-	-	504,192
Administration of Justice	60,340	-	-	60,340
Public Safety	140,449	-	-	140,449
Public Health & Welfare	183,889	-	-	183,889
Social and Cultural	2,405	-	-	2,405
Other General Government	30,250	-	-	30,250
	921,525	-	-	921,525
Unassigned:	65,921,820	(13,247,367)	-	52,674,453
Total fund balances	$ 80,062,181	$ (13,247,367)	$ 16,690,905	$ 83,505,719

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

Nonmajor Governmental Funds

	State, Federal and Other Grants	Constitutional Officers	Governmental Library	Public Library	Solid Waste	Hotel/Motel Tax	Drug Control	Engineering & Public Works	Total
Fund balances:									
Nonspendable:									
Inventories	$ 70,629	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 70,629
Prepaids	10,891	-	-	11,899	-	-	-	-	22,790
	81,520	-	-	11,899	-	-	-	-	93,419
Restricted for:									
Administration of Justice	415,303	-	-	-	-	-	-	-	415,303
Public Safety	267,328	-	-	-	-	-	2,968,270	-	3,235,598
Public Health & Welfare	945,710	-	-	-	-	-	-	-	945,710
Social and Cultural	95,770	-	-	-	-	1,580,142	-	-	1,675,912
Other General Government	260,342	-	-	-	-	-	-	-	260,342
Highway Grants	178,645	-	-	-	-	-	-	-	178,645
	2,163,098	-	-	-	-	1,580,142	2,968,270	-	6,711,510
Committed to:									
Public Health & Welfare	-	-	-	-	1,323,757	-	-	-	1,323,757
Social and Cultural	-	-	44,060	2,168,568	-	-	-	-	2,212,628
Engineering & Public Works	-	-	-	-	-	-	-	4,322,371	4,322,371
	-	-	44,060	2,168,568	1,323,757	-	-	4,322,371	7,858,756
Assigned to:									
Finance and Administration	-	1,521,625	-	-	-	-	-	-	1,521,625
Administration of Justice	-	3,660,534	-	-	-	-	-	-	3,660,534
	-	5,182,159	-	-	-	-	-	-	5,182,159
Total fund balances	$ 2,244,618	$ 5,182,159	$ 44,060	$ 2,180,467	$ 1,323,757	$ 1,580,142	$ 2,968,270	$ 4,322,371	$ 19,845,844

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Equity (Continued)

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

	Major Funds		Nonmajor Special Revenue Funds			
	General Purpose Schools	School Construction Capital Projects	School Federal Projects	School General Projects	Central Cafeteria	Total
Fund balances:						
Nonspendable:						
Inventories	$ 867,959	$ -	$ -	$ 296,940	$ 685,468	$ 1,850,367
Prepaids	1,044,397	-	20,953	575	-	1,065,925
	1,912,356	-	20,953	297,515	685,468	2,916,292
Restricted for:						
Education	-	-	-	-	9,322,918	9,322,918
Committed to:						
Education	4,725,881	-	-	911,657	-	5,637,538
Assigned to:						
Education	1,566,416	-	-	-	-	1,566,416
Unassigned:	17,232,294	(17,646,349)	(20,953)	-	-	(435,008)
Total fund balances	$ 25,436,947	$ (17,646,349)	$ -	$ 1,209,172	$ 10,008,386	$ 19,008,156

The Public Improvement Capital Projects Fund and the School Construction Capital Projects Fund had deficit balances of $13,247,367 and $17,646,349, respectively, at June 30, 2018. The deficit balances were caused by the timing of the recognition of various expenditures and the related debt issuances. Expenditures for these funds are funded primarily by debt proceeds. The adopted 2018 Capital Improvement Plan included planned debt issuance of $26,900,000 for the County and $10,000,000 for the Board. Bonds with a par amount of $33,165,000 were issued in July 2018 pursuant to the adopted 2018 Capital Improvement Plan. The proceeds eliminated the deficit in the Public Improvement Capital Projects Fund and eliminated the majority of the deficit in the School Construction Capital Projects Fund. The adopted Capital Improvement Plan for 2019 includes planned debt issuance sufficient to eliminate the remainder of the deficit. In addition, future Capital Improvement Plans will include planned debt issuance in amounts sufficient to cover all approve expenditures. The funds to be received upon issuance will eliminate the deficit.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Property Taxes

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

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

Taxes were levied at a rate of $2.12 per $100 of assessed values. Tax collections of $260,044,587 for fiscal year 2018 were approximately 97.3 percent of the total tax levy.

The 2018 fiscal year property tax rate of $2.12 was divided between the County and the Board as follows:

	Amount	Percent of Total
Primary Government:		
General Fund	$ 0.89	41.98%
Debt Service Fund	0.43	20.28%
Total - Primary Government	1.32	62.26%
Component Unit - the Board:		
General Fund - General Purpose School Fund	0.80	37.74%
Total Tax Levy	$ 2.12	100.00%

The 2019 fiscal year property tax rate of $2.12 as approved in the 2019 budget is divided between the County and the Board as follows:

	Amount	Percent of Total
Primary Government:		
General Fund	$ 0.89	41.98%
Debt Service Fund	0.43	20.28%
Total - Primary Government	1.32	62.26%
Component Unit - the Board:		
General Fund - General Purpose School Fund	0.80	37.74%
Total Tax Levy	$ 2.12	100.00%

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

L. Tax Abatements

Knox County, Tennessee is committed to enhancing the development and improvement of its local business environment and economy, especially in areas that will ultimately improve the quality of life enjoyed by its citizens. In furtherance of this objective, Knox County has established a program using economic incentives based on tax abatement tools to attract and retain, on a basis competitive with other local governments, businesses that provide the types of employment, capital investment, community involvement and financial impact sought by Knox County and its citizens. Knox County established two incentive programs, the first being the Payment in Lieu of Taxes (PILOT). This program considers and evaluates on a case-by-case basis certain economic and business development opportunities. The PILOT's are administered for Knox County by The Industrial Development Board of the County of Knox (the "IDB"), a nonprofit quasi-governmental corporation that was established in 1966 pursuant to the Tennessee Industrial Development Corporation Act (the "Act"), Tenn. Code Ann. §§7-53-101. The IDB is authorized to negotiate and accept payments in lieu of ad valorem taxes in furtherance of the IDB's public purposes of economic welfare to maintain and increase employment opportunities and household income. As such, the IDB acts as a conduit organization for property tax abatements through PILOT agreements. Consideration is given on a case-by-case basis and includes analyses of job creation, economic impact, capital investment and wage rates. Housing authorities are also permitted by state law to undertake payment in lieu of tax programs and tax increment financing programs. State law permits these types of financing by housing authorities only in designated redevelopment areas approved by the City and County. Applicants for tax increment financing for projects located in redevelopment areas are referred to the Knoxville Community Development Corporation (KCDC).

Many of the tax abatement agreements entered into by the County also involve the City of Knoxville if they are located within the city limits. All of the tax abatement agreements entered into by the City will involve a County portion. The abatements are determined by a base appraisal of the property when the agreement is made.

During the fiscal year ended June 30, 2018, there were 43 PILOT agreements in force with net tax abatements totaling $3,879,243. With the significant number of abatements in place the County chose to describe herein only those abatements that were greater than $500,000 and those tax abatement agreements are described below with the terms in effect for the fiscal year reported. The agreements include a provision for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

NOTE III. DETAILED NOTES ON ALL FUNDS (Continued)

L. Tax Abatements (Continued)

Green Mountain Coffee Roasters – The PILOT abatement commenced on August 1, 2008 with Green Mountain's commitment for construction, development, renovation, improvement, equipping, and installation of equipment for a coffee roasting and distribution facility located in the Forks of the River Industrial Park. This project will result in the creation of at least 360 jobs paying wages on average of $29,167 per year. Green Mountain will make a capital investment in the project of at least $30,000,000. The project will take measures in purchasing equipment and making improvements necessary to reduce air pollutants to a level not exceeding 50% of the maximum allowable level permitted under a minor source permit for particulate matter as issued by the Knox County Air Quality Department. The abatement period is 15 years for real and personal property taxes. The abatement for June 30, 2018 was $1,367,670.

The second incentive program is the Tax Increment Financing (TIF) which is an economic development tool used by the County to allocate all or a portion of the new, additional taxes generated by a project over a limited period of time to pay for public infrastructure and other improvements related to that project. Tax increment is the difference in tax revenues generated by the project in the plan area after the project has been completed, compared with the tax revenues generated in the plan area before the development plan was adopted. The difference in these tax revenues pays the costs of improvements to the public infrastructure serving the plan area.

In the County (typically for those areas outside qualified redevelopment and urban renewal project areas), the IDB has established policies and procedures for the facilitation of Tax Increment Financing. The County IDB's TIF Program is primarily for economic development projects that provide improvement to public infrastructure in blighted and under-utilized areas of Knox County and in other properties designated by Knox County Commission and Knoxville City Council. TIF notes are not included in the County's general debt obligations. The structure of these transactions allows the County, through agreements with private developers, to utilize the new incremental revenue streams to accelerate funding of improvements.

During the fiscal year ended June 30, 2018, there were 27 TIF agreements in force with net tax abatements totaling $1,706,860. These abatements are used to make payments on the TIF notes for the benefit of the developers.

The remaining 42 PILOT agreements totaling $2,511,573 in tax abatements at June 30, 2018 are all similar in nature incorporating the requirements mentioned above which include renovating buildings for the betterment and welfare of the citizens of the communities where they are located.

NOTE IV. OTHER INFORMATION

A. Joint Ventures

The County is a participant in a joint venture with the City of Knoxville and the Knoxville Utilities Board in the operation of the Geographic Information Systems (GIS). The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In March 1987, the County issued public improvement bonds, which included $5,500,000 used to install the geographic information system. In accordance with the terms of the joint venture agreement, payments are shared between the County, the City of Knoxville and the Knoxville Utilities Board. In the 2018 fiscal year, the joint venture received 86 percent of its operating revenues from the participants in the joint venture. The Geographic Information Systems charged the County $394,126 for the year ended June 30, 2018. The County does not retain an equity interest in the joint venture. The financial results of Geographic Information Systems have maintained adequate equity levels. Since the support for Geographic Information Systems is shared with two other entities, the County considers its involvement to be low risk. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

The County is a participant in a joint venture with the City of Knoxville in the operation of the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee (PBA). The Authority was created to purchase, construct, refurbish, maintain and operate certain public building complexes to house the governments of the County and the City of Knoxville. The County appoints six of an eleven-member board of directors, which oversee the operations of PBA. The fact that the County appoints a majority of the board is negated by the participants' agreements calling for joint control of PBA. The County retains an equity interest in the joint venture. The County contributed $7,654,347 to the PBA for development, management, and maintenance of County projects during 2018. Complete separate financial statements for PBA may be obtained at Room M-22, City County Building, and 400 Main Street, Knoxville, TN 37902.

NOTE IV. OTHER INFORMATION

A. Joint Ventures (Continued)

Condensed financial information for GIS and PBA as of June 30, 2018 and for the year then ended, is as follows:

	GIS	PBA
ASSETS		
Cash and Cash Equivalents	$ 663,996	$ 6,470,191
Receivables	7,222	948,258
Inventory	-	10,755
Prepaids	5,237	86,680
Capital Assets - Net	251,971	5,098,406
Total Assets	928,426	12,614,290
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable and Accrued Liabilities	14,988	1,687,225
Due To Others	-	1,357,072
Customer Deposits	-	30,159
Compensated Absences	37,866	494,058
Unearned Revenue	-	1,525
Total Liabilities	52,854	3,570,039
Net Position		
Investment in Capital Assets	251,971	5,098,406
Unrestricted	623,601	3,945,845
Total Net Position	$ 875,572	$ 9,044,251
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Total Operating Revenues	$ 1,643,820	$ 17,703,274
Total Operating Expenses	(1,544,505)	(16,469,086)
Operating Income (Loss)	99,315	1,234,188
Non-Operating Revenues	14,702	35,683
Non-Operating Expenses	-	(2,393,402)
Capital Contributions	-	1,168,656
Increase (Decrease) in Net Position	114,017	45,125
Net Position, Beginning of Year	761,555	8,999,126
Net Position, End of Year	$ 875,572	$ 9,044,251

NOTE IV. OTHER INFORMATION (Continued)

B. Related Organizations

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

The County is responsible for a minority of the board appointments for the Knoxville-Knox County Community Action Committee. During the year ended June 30, 2018, the County appropriated operating subsidies of $1,623,169 to the Community Action Committee.

In 2018, the County and the Knoxville Convention & Visitors Bureau, Inc., dba "Visit Knoxville" were parties to a contract whereby Visit Knoxville performed tourism marketing services for Knox County. Visit Knoxville received a percentage of hotel-motel tax collections as compensation for these services. During the year ended June 30, 2018, the County appropriated operating subsidies of $3,200,000 to Visit Knoxville related to this contract. The County appoints certain board members of Visit Knoxville.

C. Risk Management/Subsequent Event

The County has established the Self Insurance Healthcare Fund for risks associated with employees' health plan and the Self Insurance Fund for the majority of risks associated with the general liability and workers' compensation claim settlements. In the Self Insurance Fund, each participating fund with eligible employees is charged a premium calculated using trends in actual claims experience. The Board and the District (component units), the Geographic Information Systems (joint venture between the County, the City of Knoxville and Knoxville Utilities Board), and the Knox County-City of Knoxville Metropolitan Planning Commission (a separate governmental organization) also participate in one or both of the plans. The Self Insurance Healthcare and the Self Insurance Fund are accounted for as internal service funds where assets are set aside for claim settlements. The County retains the risk of loss to a limit of $450,000 for each employee in any plan year for health coverage and $750,000 for each employee (except the Sheriff's Department which is $1,250,000 per employee) in any plan year for worker's compensation coverage by obtaining stop/loss commercial insurance policies that covers claims beyond these limits.

NOTE IV. OTHER INFORMATION (Continued)

C. Risk Management/Subsequent Event (Continued)

At June 30, 2018, Humana and OptumRx are the third-party administrators of the County's self-insured healthcare plans. Beginning January 1, 2019, Blue Cross Blue Shield of Tennessee will replace Humana as the third-party administrator of the County's self-insured medical healthcare plan. In the Self Insurance Healthcare Fund, a premium is charged to the participating fund, component unit, joint venture, or outside entity that accounts for eligible employees. The total charges for the funds are calculated using trends in actual claims experience. In instances where medical claims materially exceed premiums received, each participating entity is charged a pro-rata basis for any fund deficits incurred.

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

	Self Insurance Healthcare Fund - Medical Claims		Self Insurance Fund - General Liability, and Workers' Compensation	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Unpaid Claims - Beginning Balance	$ 1,831,842	$ 1,909,589	$ 15,113,314	$ 15,912,958
Incurred Claims (Including IBNR's)	26,438,751	24,196,246	6,407,802	1,921,741
Claim Payments	(26,185,075)	(24,273,993)	(3,909,125)	(2,721,385)
Unpaid Claims - Ending Balance	$ 2,085,518	$ 1,831,842	$ 17,611,991	$ 15,113,314

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

Certain self insurance liabilities of the Board that are for unexpected and unusual claims are reported directly in the Board of Education's Statement of Net Position. As of June 30, 2018, the liabilities were $3,451,708.

NOTE IV. OTHER INFORMATION (Continued)

D. On-Behalf Payments

The State of Tennessee made the following on-behalf payments for the Board during the year ended June 30, 2018:

Medicare Supplement Plan – Since teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payment) for Board employees to this Plan. The on-behalf payment for 2018 was $520,222 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

Teacher Group Insurance Plan – The State of Tennessee makes a contribution (on-behalf payment) for Board employees who participate in the State administered Teacher Group Insurance Plan. The on-behalf payment for 2018 was $1,195,561 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

E. Commitments and Contingencies

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

The County receives significant financial assistance from the Federal and State governments in the form of grants and entitlements. These programs are subject to various terms and conditions, compliance with which is the responsibility of the County. These programs are subject to financial and compliance audits by the grantor agencies. Any costs disallowed as a result of such audits could become a liability of the County. As of June 30, 2018, the amount of any liabilities that could result from such audits cannot be determined. However, the County believes that any such amounts would not have a material adverse effect on the County's financial position.

The County and the Board have several outstanding construction projects as of June 30, 2018. The County also has a five-year Capital Improvement Plan which addresses major capital needs for the County and the Board. Although the Capital Improvement Plan does not represent legal appropriations or contractual commitments, it does represent priorities as determined by the County and the Board. Funding for the first year of the adopted Capital Improvement Plan has been appropriated by action of the County Commission.

NOTE IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies (Continued)

The following represents capital projects funds spent to date and current contractual obligations.

	Spent to Date	Contractual Commitment Remaining at June 30, 2018
Primary Government:		
Schaad Road	$ 1,882,211	$ 692,030
Karns Connector	5,640,370	1,009,476
I.C. King Park	66,931	524,158
Other Projects	178,457,818	1,817,167
Component Unit - the Board:		
Physical Plant Upgrades	$ 2,405,301	$ 862,294
Gibbs Middle School	25,417,936	77,503
Hardin Valley Middle School	37,469,253	399,532
Pond Gap Elementary	8,912,120	592,207
Inskip Elementary Addition	1,654,024	3,769,324
Other Projects	52,800,244	1,573,428

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

NOTE IV. OTHER INFORMATION (Continued)

F. Constitutional Officers

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

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

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

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

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

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

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

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

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

NOTE IV. OTHER INFORMATION (Continued)

G. Accounting Pronouncements

The County adopted 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. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The County adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, required for fiscal periods beginning after December 15, 2016, in fiscal 2018. The objective of this Statement is to improve 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. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments.

The County adopted GASB Statement No. 85, *Omnibus 2017,* required for fiscal periods beginning after June 15, 2017, in fiscal 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The County adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE IV. OTHER INFORMATION (Continued)

H. Restatements

The County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017. As a result of the adoption of this Statement, the County primary government and the Board component unit have recorded net other postemployment benefits (OPEB) liabilities (assets) for the portion of the present value of projected benefit payments to be provided through their OPEB plans to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plans' fiduciary net position. In addition, the Statement requires that deferred outflows of resources and deferred inflows of resources be reported for differences between expected and actual experience with regard to economic and demographic factors in the measurement of total OPEB liability, changes of assumptions about future economic or demographic factors or of other inputs, and the net difference between projected and actual earnings on pension plan investments.

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

	Beginning Net Position, as Previously Reported	Adjustment for Net OPEB Liability and Deferred Outflows	Beginning Net Position, as Restated
Primary Government:			
Governmental Activities	$ (39,731,423)	$ (10,163,021)	$ (49,894,444)
Component Unit - the Board:			
Governmental Activities	$ 423,101,007	$ (20,259,849)	$ 402,841,158

For the effect of the restatement on the Board, see the Statement of Activities on page 242.

NOTE IV. OTHER INFORMATION (Continued)

I. Subsequent Events

On November 19, 2018, the County approved the Knox County Schools Certified Retirement Incentive (CRI) Plan. The Plan is effective July 1, 2019 and is designed to provide an additional benefit to eligible Board certified employees who voluntarily retire. Eligible employees are those that are actively employed full time by Knox County Schools on November 19, 2018 and have 10 or more years of Knox County Schools' Service (As Defined by Tennessee consolidated Retirement System and be eligible and apply for either a Service Retirement, Early Service Retirement, or 25-year retirement TCRS benefit). The CRI Plan provides a $345 monthly payment, adjusted annually, for the retiree's medical insurance premiums until the retiree is Medicare eligible, not to exceed 14 years.

During the year ended June 30, 2018, the Knox County Law Director filed suit against the Knox County Retirement and Pension Board and System asserting discrepancies in the administration of the Uniform Officers Pension Plan (UOPP) compared to the Knox County Charter. The treatment of accrued leave in the calculation of retirement benefits under the UOPP Plan was contested by the County Law Department. The suit was dismissed on November 28, 2018 by the Knox County Chancery Court after the Pension Board and Knox County Mayor agreed to draft an amendment to the UOPP plan document limiting the amount of pensionable vacation cash-out to 43 days and the Knox County Commission directed the Law Director to dismiss the case.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Single-Employer Defined Benefit OPEB Plans

The County's two single-employer defined benefit other post-employment benefit (OPEB) plans as described in Section A are part of the County's financial reporting entity and are included in the accompanying financial statements. The Board participates in two single-employer defined benefit OPEB plans through the State of Tennessee.

OPEB – Retiree Healthcare Plan

Plan Description – As authorized by County Commission Resolution, the County provides post-retirement health care benefits for County retirees and their dependents. This benefit is provided for employees and retirees who are participants in the UOPP, STAR, Closed Defined Benefit, or Asset Accumulation Retirement Plans. The County Retiree Benefit Healthcare Plan is a single-employer defined benefit OPEB plan. The Plan is administered by the Knox County Finance Department with assistance through USI Consulting Group. Benefits are established and amended by the County Commission. A stand-alone financial report is not issued. The liability for this OPEB related debt is to be funded by a portion from the general fund and the self-insured healthcare fund.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Benefits provided – The retiree is responsible for paying 100% of the related premium. The retirees who have chosen to participate in the County's medical insurance plans have not been evaluated on a separate experience rating of those of existing County employees. Therefore, participating retirees contribute the same premium as existing employees, plus the amount the County contributes for existing employees. Under this arrangement, the retiree contributions are expected to be less than their expected health care cost, and a portion of the premiums the County pays on behalf of its active employees is deemed to subsidize the retiree's costs (implicit rate subsidy). Effective 10/1/2016 through 9/30/2023 (unless extended by the Knox County Commission), the County began subsidizing 35% of the premium (for individual coverage only) for a participant who retires at age 55 and older with at least 30 years of service, or who retires at age 57 or older with at least 25 years of service. The subsidy will continue until the participant becomes Medicare eligible. There are a few grandfathered retirees over the age of 65 who still have active medical coverage, but no one else over the age of 65 who is not currently covered will be eligible in the future. The plan provides for surviving spouse benefits. The retiree pays full cost of spouse benefits based on plan premium until age 65.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	57
Active employees	2,145
Total	2,202

Contributions – The County has adopted a written funding policy, dated October 13, 2017, which requires an annual employer contribution to equal, or exceed, the actuarially determined contribution (ADC) as calculated by an actuary. The County's OPEB employer contribution to the Plan for fiscal year 2018 was $1,208,596, which was 1.19% of covered employee payroll.

Net OPEB Liability – The County's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability at June 30, 2018 were as follows:

Total OPEB Liability	$	10,221,499
Less: Fiduciary Net Position		(2,179,084)
Net OPEB Liability	$	8,042,415
Fiduciary Net Position as a Percentage of Total OPEB Liability		21.32%

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Actuarial Assumptions – The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age, Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Inflation	2.50%
Healthcare Trend Rates	8.00% for 2018, decreasing 0.5% per year to an ultimate rate of 4.50% for 2024 and later years
Salary Increases	3.50%
Payroll Growth	2.50%
Investment Rate of Return	7.00%
Average Assumed Retirement Age	61
Mortality Table	For healthy participant - The mortality rates are from the Sex Distinct RP-2000 Mortality Table fully generational with projection scale BB. For disabled participants - RR96-7 Post 94 Mortality Table.

Expected Investment Rates of Return – The long-term expected rate of return on OPEB 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 OPEB investment expense and inflation) are developed for each major investment type. 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 which was 2.50% for fiscal year 2018. Best estimates of arithmetic real rates of return for each major investment classification included in the OPEB target asset allocation as of June 30, 2018 are as follows:

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Asset Class	Target Allocation	Long-Term Real Returns
Large Value	8.10%	5.10%
Large Blend	5.50%	5.10%
Large Growth	8.60%	5.10%
Mid-Cap Value	1.80%	5.30%
Mid-Cap Blend	6.75%	5.30%
Mid-Cap Growth	1.80%	5.30%
Small Value	1.35%	5.30%
Small Blend	6.75%	5.30%
Small Growth	1.35%	5.30%
Foreign Large Blend	0.50%	5.10%
Foreign Large Growth	9.00%	5.10%
Foreign Small/Mid Growth	2.25%	5.10%
Diversified Emerging Mkts	4.50%	6.90%
Technology	4.50%	5.10%
World Allocation	2.25%	3.70%
Multisector Bond	2.25%	1.60%
Intermediate Government	0.50%	0.60%
Intermediate-Term Bond	2.25%	1.60%
Short-Term Bond	0.50%	1.60%
Money Market - Taxable	29.50%	0.60%

Rate of Return – The annual money-weighted rate of return on the plan's investments, net of related investment expenses, for the year ended June 30, 2018 was 4.27%.

Discount Rate – The discount rate used in fiscal year 2018 to measure the total OPEB liability was 6.16%. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non-Trust Activity (c)	Net OPEB Liability (d)
Balances at 6/30/17	$ 8,571,068	$ 1,272,345	$ -	$ 7,298,723
Changes for the year:				
Service Cost	393,518	-	-	393,518
Interest	615,182	-	-	615,182
Difference between Expected and Actual Experience	77,352	(32,325)	-	109,677
Contributions - Employer Subsidy	-	850,000	89,062	(939,062)
Contributions - Employer Implicit Subsidy	-	-	269,534	(269,534)
Net Investment Income	-	89,064	-	(89,064)
Changes in Assumptions	922,975	-	-	922,975
Benefit Payments	(358,596)	-	(358,596)	-
Net Changes	1,650,431	906,739	-	743,692
Balances at 6/30/18	$ 10,221,499	$ 2,179,084	$ -	$ 8,042,415

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.16%) or 1-percentage-point higher (7.16%) than the current discount rate:

	1% Decrease (5.16%)	Current Discount Rate (6.16%)	1% Increase (7.16%)
Net OPEB Liability (asset)	$ 8,956,526	$ 8,042,415	$ 7,222,479

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability, as well as what the net OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.00% decreased to 3.50% over 7 years) or higher (9.00% decreasing to 5.50% over 7 years) than the current healthcare cost trend rates:

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Retiree Healthcare Plan (Continued)

	1% Decrease (7.00%) decreasing to (3.50%)	Healthcare Cost Trend Rates (8.00%) decreasing to (4.50%)	1% Increase (9.00%) decreasing to (5.50%)
Net OPEB Liability (asset)	$ 6,729,872	$ 8,042,415	$ 9,072,513

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $1,054,266. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 67,441	$ -
Changes of assumptions	804,721	-
Net difference between projected and actual earnings on OPEB plan investments	25,860	-
Total	$ 898,022	$ -

Accounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	$ 134,630
2020	134,630
2021	134,630
2022	134,630
2023	128,165
Thereafter	231,337

Payable to the OPEB Plan – At June 30, 2018, Knox County did not report a payable outstanding. Contributions were paid to the OPEB plan as required for the year ended June 30, 2018.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan

Plan Description – As authorized by County Commission Resolution, the County provides disability benefits for eligible employees of the County and the Board who are participants in the UOPP, STAR, Closed Defined Benefit, or Asset Accumulation Retirement Plans and who become disabled on or after January 1, 2014. The County Disability Plan is a single-employer OPEB plan and is administered by the Knox County Retirement and Pension Board. Benefits are established and amended by the Knox County Retirement and Pension Board (Pension Board). A stand-alone annual financial report may be obtained by contacting the Knox County Pension and Retirement Board at Suite 371, City County Building, 400 Main Street, Knoxville, TN 37902. The liability for this OPEB related debt is to be funded by the general fund and non-vested forfeitures from the Asset Accumulation and STAR defined contribution retirement plans as described in Note V-F.

Benefits Provided – The employer pays 100% of the related premium. Participating employees become immediately eligible and for retiree disability benefits, employees become eligible after five years of credited service, unless the disability occurs as a result of an act required to perform duties in the course of employment, in which case there is no service requirement. No participant shall be simultaneously entitled to a disability benefit under this plan and either or both of the Closed DB and UOPP. In the event of disability, eligible employees receive monthly benefits equal to the greater of 60% of pre-disability compensation (monthly compensation of a participant averaged over the twelve months in which compensation was the highest) as of the date of the disability offset by participant's social security disability benefit, worker's compensation benefits, and earnings while disabled; or $1,800 per year. The normal form of benefit is a temporary life annuity. Benefits continue until the employee is no longer disabled, reaches social security normal retirement age, or begins receiving benefits from a County-funded retirement plan, whichever is earliest.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms:

Disabled employees currently receiving benefit payments	23
Active employees	5,036
Total	5,059

Contributions – The Pension Board has adopted a written funding policy which requires an annual employer contribution to equal, or exceed, the actuarially determined contribution (ADC) as calculated by an actuary. For the year ended June 30, 2018, the ADC was $453,466, which was 0.69% of covered employee payroll. The County's actual contributions exceeded the ADC due to the Pension Board transferring non-vested employee forfeitures from the defined contribution plans.

Net OPEB Liability – The County's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The components of the net OPEB liability at June 30, 2018 were as follows:

Total OPEB Liability	$ 3,501,674
Less: Fiduciary Net Position	(990,692)
Net OPEB Liability	$ 2,510,982
Fiduciary Net Position as a Percentage of Total OPEB Liability	28.29%

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Actuarial Assumptions – Significant actuarial assumptions used in the valuation of the OPEB plan as of January 1, 2018 with a measurement date of June 30, 2018 are as follows:

Actuarial Cost Method	Individual Entry Age, Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	16 Years
Asset Valuation Method	5-year smoothed, subject to a 20% corridor around the market value of assets
Inflation	2.44%
Salary Increases	3.00% for UOPP, STAR, Asset Accumulation, and Closed DB active non-contributing, 2.50% for Closed DB active contributing
Investment Rate of Return	7.00%
Age at Retirement	Closed DB - Age 65 with 5 years pf service Asset Accumulation - Age 65 with 5 years of service UOPP - Age 50 with 25 years of service STAR - Age 57 with 10 years of service
Mortality Table	Closed DB & Asset Accumulation Pre-Retirement: Base Table: 2012 IRS Static Mortality Table Improvement Scale: Scale AA Projection Period: 15 years Closed DB & Asset Accumulation Post-Retirement: Linked to the current mortality assumption utilized by the Tennessee Consolidated Retirement System (TCRS) Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 years UOPP & STAR Pre-Retirement: Linked to the current mortality assumption utilized by the TCRS Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 years UOPP & STAR Post-Retirement: 1984 Unisex Pension Mortality Table with no mortality improvements (set forward one year for males and set back four years for
Disabled Mortality	Linked to the TCRS mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)
Disability Type	Closed DB - Not in Line of Duty Asset Accumulation - Not in Line of Duty UOPP - In Line of Duty STAR - In Line of Duty

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Expected Investment Rates of Return – The long-term expected rate of return on OPEB plan investments in mutual funds was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major investment type. 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 which was 2.44% for fiscal year 2018. Best estimates of arithmetic real rates of return for each major investment classification included in the OPEB target asset allocation as of June 30, 2018 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Arithmetic Return
Large Value	8.10%	6.68%
Large Blend	5.50%	6.68%
Large Growth	8.60%	6.68%
Mid-Cap Value	1.80%	7.89%
Mid-Cap Blend	6.75%	7.89%
Mid-Cap Growth	1.80%	7.89%
Small Value	1.35%	7.89%
Small Blend	6.75%	7.89%
Small Growth	1.35%	7.89%
Foreign Large Blend	0.50%	6.98%
Foreign Large Growth	9.00%	6.98%
Foreign Small/Mid Growth	2.25%	6.98%
Diversified Emerging Mkts	4.50%	9.39%
Technology	4.50%	6.68%
World Allocation	2.25%	4.87%
Multisector Bond	2.25%	2.15%
Intermediate Government	0.50%	0.81%
Intermediate-Term Bond	2.25%	2.15%
Short-Term Bond	0.50%	2.15%
Money Market - Taxable	29.50%	0.81%
Inflation	N/A	2.44%

Rate of Return – The annual money-weighted rate of return on the plan's investments, net of related investment expenses, for the year ended June 30, 2018 was 11.89%.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

Discount Rate – The discount rate used in fiscal year 2018 to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current plan participants. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/17	$ 2,790,372	$ 1,270,556	$ 1,519,816
Changes for the year:			
Service Cost	315,236	-	315,236
Interest	208,878	-	208,878
Difference between Expected and Actual Experience	1,052,678	-	1,052,678
Changes of Assumptions	(618,044)	-	(618,044)
Contributions Employer	-	1,166,514	(1,166,514)
Net Investment Income	-	165,366	(165,366)
Benefit Payments	(247,446)	(247,446)	-
Administrative Expenses	-	(1,351,344)	1,351,344
Other Changes	-	(12,954)	12,954
Net Changes	711,302	(279,864)	991,166
Balances at 6/30/18	$ 3,501,674	$ 990,692	$ 2,510,982

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (asset)	$ 2,659,946	$ 2,510,982	$ 2,369,567

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Disability Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $1,926,608. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 736,558	$ -
Changes of assumptions	-	432,445
Net difference between projected and actual earnings on OPEB plan investments	-	73,041
Total	$ 736,558	$ 505,486

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

Year ended June 30,	
2019	$ 112,261
2020	112,261
2021	24,811
2022	(18,261)
2023	-
Thereafter	-

Payable to the OPEB Plan – At June 30, 2018, Knox County did not report a payable outstanding. Contributions were paid to the OPEB plan as required for the year ended June 30, 2018.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan

General Information about the OPEB Plan

Plan Description – Employees of the Board, who were hired prior to July 1, 2015, are provided with pre-age 65 retiree health insurance benefits through the closed Teacher Group Retiree Plan (TGRP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-age 65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGRP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The liability for this OPEB related debt is to be paid by the Board's general purpose school fund.

Benefits Provided – The Board offers the TGRP to provide health insurance coverage to eligible pre-age 65 retired teachers, administrators, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA Section 8-27-301 establishes and amends the benefit terms of the TGRP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGRP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Knox County Schools does not provide a direct subsidy for pre-age 65 retiree insurance coverage and is only subject to the implicit rate subsidy. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGRP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms – At July 1, 2017, the following employees of the Board were covered by the benefit terms of the TGRP:

Inactive employees currently receiving benefit payments	369
Active employees	6,863
Total	7,232

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

An insurance committee, created in accordance with TCA Section 8-27-301, establishes the required payments to the TGRP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

Total OPEB Liability

Actuarial Assumptions – The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare Cost Trend Rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later years
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributic in order to maintain their coverage. For the purpc this valuation, a weighted average has been used wi weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017 valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal General Obligation Bonds AA index.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

Changes in Collective Total OPEB Liability

		Total OPEB Liability
Balances at 6/30/16	$	51,052,124
Changes for the year:		
Service Cost		3,172,322
Interest		1,538,402
Changes in Assumptions		(2,376,284)
Benefit Payments		(3,078,890)
Net Changes		(744,450)
Balances at 6/30/17	$	50,307,674
Nonemployer contributing entities proportionate share of the collective total OPEB liability	$	17,347,897
Employer's proportionate share of the collective total OPEB liability	$	32,959,777
Employer's proportion of the collective total OPEB liability		65.52%

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGRP. The Board's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Board recognized $1,549,250 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGRP for Board retirees.

Changes in Assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

Sensitivity of Total OPEB Liability and Other Relevant Information

Sensitivity of Proportionate Share of the Collective total OPEB Liability to Changes in the Discount Rate – The following presents the proportionate share of the collective total OPEB liability related to the TGRP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.56%) or 1-percent-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate Share of Collective total OPEB Liability	$ 35,414,689	$ 32,959,777	$ 30,646,547

Sensitivity of Total OPEB Liability (Employer's Share) to Changes in the Assumed Healthcare Cost Trend Rate – Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is 1-percent-point lower or 1-percent-point higher:

	1% Decrease (6.50%) decreasing to (2.71%)	Current Healthcare Cost Trend Rate Assumption (7.50%) decreasing to (3.71%)	1% Increase (8.50%) decreasing to (4.71%)
OPEB Liability	$ 29,255,196	$ 32,959,777	$ 37,393,979

OPEB Expense – For the fiscal year ended June 30, 2018, the Board recognized OPEB expense of $4,492,716.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB – Closed Teacher Group Insurance Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGRP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 2,158,276
Employer payments subsequent to the measurement date	2,081,304	-
Total	$ 2,081,304	$ 2,158,276

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	$ (218,009)
2020	(218,009)
2021	(218,009)
2022	(218,009)
2023	(218,009)
Thereafter	(1,068,231)

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

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB - Closed Tennessee Plan

General Information about the OPEB Plan

Plan Description – Employees of the Board, who were hired prior to July 1, 2015, are provided with post-age 65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-age 65 retired teachers, administrators, support staff and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided – The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-age 65 retired teachers, administrators, support staff and disabled participants of local education agencies. Insurance coverage is the only post-employment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA Section 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA Sections 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The Board does not subsidize post-age 65 retiree insurance coverage. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms – At July 1, 2017, the following employees of the Board were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	954
Inactive employees entitled to but not yet receiving benefit payments	598
Active employees	4,709
Total	6,261

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB - Closed Tennessee Plan (Continued)

In accordance with TCA Section 8-27-209, the state insurance committees established by TCA Sections 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Board did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions – The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.0
Healthcare Cost Trend Rates	The premium subsidies provided to retirees in t Tennessee Plan are assumed to remain unchang for the entire projection, therefore trend rates not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017 valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal General Obligation Bonds AA index.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

OPEB - Closed Tennessee Plan (Continued)

Changes in Collective Total OPEB Liability

		Total OPEB Liability (expressed in thousands)
Balances at 6/30/16	$	15,238
Changes for the year:		
Service Cost		354
Interest		448
Changes in Assumptions		(1,338)
Benefit Payments		(500)
Net Changes		(1,036)
Balances at 6/30/17	$	14,202
Nonemployer contributing entities proportionate share of the collective total OPEB liability	$	14,202
Employer's proportionate share of the collective total OPEB liability	$	-
Employer's proportion of the collective total OPEB liability		0.00%

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The Board's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Board's proportion of 0% did not change from the prior measurement date. The Board recognized $668,305 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Board retired employees.

Changes in Assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense – For the fiscal year ended June 30, 2018, the Board recognized OPEB expense of $668,305.

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

A. Single-Employer Defined Benefit OPEB Plans (Continued)

Aggregate OPEB Plans Note Disclosures

As of and for the year ended June 30, 2018, the aggregate OPEB plan note disclosures for all plans was as follows:

(dollar amounts in thousands)

	Governmental Activities			
OPEB Plan	Net OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
Primary Government - The County:				
Retiree Healthcare	$ 8,042	$ 898	$ -	$ 1,054
Disability	2,511	736	505	1,927
	10,553	1,634	505	2,981
Component Unit - The Board:				
Closed Teacher				
Group Insurance	32,960	2,081	2,158	4,493
Closed Tennessee Plan	-	-	-	668
	32,960	2,081	2,158	5,161
Totals	$ 43,513	$ 3,715	$ 2,663	$ 8,142

NOTE V. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

B. Single-Employer Defined Contribution OPEB Plan

Medical Expense Retirement Plan

Plan Description – Plan provisions and contribution requirements for the Medical Expense Retirement Plan (MERP), a defined contribution OPEB plan was established and may be amended by the Knox County Retirement and Pension Board. The powers of the Knox County Retirement and Pension Board (Pension Board) are governed by the Knox County Charter, Article VII, as amended. The Pension Board can change, or modify, the plan's employer defined contribution rates as defined by the authority granted under the Knox County Charter, Section 7.01(b).

The Plan was established by the County under Section 401(a)(9) of the Internal Revenue Code. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Voluntary participation begins upon enrollment; eligible employees may begin participation on the first day of employment. The Plan was specifically created to assist employees in planning and investing for anticipated medical expenses upon retirement. Employees are 100% vested in the employer contributions upon enrollment; therefore there are no forfeitures.

Beginning in fiscal year 2015, the employer match for active employees is 50% of the employee's contribution up to a calendar year employer maximum of $208. This commitment for funding is for 5 years.

At June 30, 2018, the MERP had 1,260 members and 909 of them contributed funds to the plan. During the year employer expense and member contributions amounted to $107,729 and $212,345, respectively.

At June 30, 2018, the County did not report a payable as there were no outstanding employer or participant contributions.

NOTE VI. EMPLOYEE RETIREMENT PLANS

A. General Information

County and Board employees are covered by a variety of retirement plans. These plans fall into two categories – defined benefit and defined contribution plans. The majority of County and Board employees participate in *defined contribution plans*. Those not included in the defined contribution plans are certified teachers covered under the Board's Article IX Defined Benefit Plan for former Knoxville City School teachers, all certified County school teachers, certain non-certified employees who elected not to transfer to the primary defined contribution plan or sworn officers in the Sheriff's Department who elected to transfer to the Uniformed Officers Pension Plan (UOPP) effective July 1, 2007, or were hired as a sworn officer on or after June 1, 2007 through December 31, 2013. County certified school teachers and administrators participate in the State Retirement Plan for Teachers as administered by the Tennessee Consolidated Retirement System (TCRS). Certain County Officials also participate in TCRS.

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

The Board participates in the TCRS through two different plans, the Teacher Legacy Pension Plan and the Teacher Retirement Plan. These two plans are cost sharing multiple-employer pension plans administered by TCRS. The Knox County Schools contribute to the State Employees, Teachers, and Higher Education Employees' Pension Plan (SETHEEPP). The Board also allows certified teachers and administrators to participate in one of two multiple-employer defined contribution plans as administered by the Tennessee Department of Treasury (see Note VI-F).

The pension-related liabilities are to be funded as follows:

DB Plans	Funds
County DB Plan	County – General Fund
UOPP DB Plan	County – General Fund
Teacher's DB Plan	Board – General Purpose School Fund
TCRS Knox County Executive and Officials	County – General Fund
TCRS Teacher's Legacy	Board – General Purpose School Fund
TCRS Teacher Retirement	Board – General Purpose School Fund

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

A. General Information (Continued)

The three single-employer defined benefit and the three single-employer defined contribution plans are part of the County's financial reporting entity and are included in the accompanying financial statements. The operations of the Knox County Closed Defined Benefit Plan (County DB Plan), the County's Asset Accumulation Plan (County DC Plan), the Sheriff's Total Accumulation Retirement Plan (STAR DC Plan), the County's Uniformed Officers Pension Plan (UOPP DB Plan), and Voluntary 457 Plan (DC Plan) are recorded as County pension trust funds. The operations of the Board's Teacher's Defined Benefit Plan (Teacher's DB Plan) are recorded in the Board's pension trust fund. Complete separate financial statements for the three defined benefit plans and the three defined contribution plans may be obtained by contacting the Knox County Retirement and Pension Board at Suite 371, City County Building, and 400 Main Street, Knoxville, TN 37902.

Since the County's and Board's Plans are sponsored by a governmental entity, these Plans are not subject to the statutory provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In addition, none of the accompanying defined benefit plans are insured by the U.S. Pension Benefit Guaranty Corporation.

B. Single-Employer Defined Benefit Plans

Summary of Significant Accounting Policies

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

General Information about the Defined Benefit Pension Plans

Plan Description - The County's defined benefit pension plans, (County and UOPP DB Plans), and the Board's defined benefit pension plan (Teacher's DB Plan) provides pensions to plan members and their beneficiaries. The County DB Plan was established by the County Commission pursuant to House Bill Number 886 of Chapter 246 of the 1967 Private Acts of the State of Tennessee as amended and continued by the County's charter. The County DB Plan was closed to new participants effective September 30, 1991. The UOPP DB Plan was approved by the voters of Knox County during the November 2006

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

elections. The Plan was established July 1, 2007 with approximately 600 sworn Sheriff's Office employees electing to transfer their retirement balance from the County DC Plan to the UOPP DB Plan. The amount transferred from the participant's accounts totaled $39,429,351. In addition, during FY 2007, Knox County issued $57 million of pension obligation bonds, and transferred the proceeds (net of issuance costs) totaling $56,510,846 to the plan. During the November 2012 elections, voters approved to close the UOPP DB Plan to new hires or rehires effective January 1, 2014. The Teacher's DB Plan was established under Article IX of the Knox County Employee Benefit System. The Teacher's DB Plan is closed to new plan members. The County DB, UOPP, and the Teacher's DB Plans are single-employer defined benefit pension plans administered by the Knox County Retirement and Pension Board.

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

The UOPP DB Plan provides pensions to officers employed by the Sheriff's Office on or after June 1, 2007, and most recently employed or re-hired before January 1, 2014. Normal monthly retirement benefits are equal to the greater of 2.5% of average monthly compensation multiplied by service up to a maximum of 30 years or $10 multiplied by service up to a maximum of 25 years. The normal retirement date is the first day of the month coinciding with or next following attainment of age 50 or, if later, the date the participant completes (or would have completed if the participant remained continuously employed until then) 25 years of service. A participant with 5 or more years of service who retires prior to their normal retirement date shall be entitled to the greater of 2% of average monthly compensation multiplied by the participant's projected service (maximum of 25 years), multiplied by the participant's actual service, and divided by the participant's projected service or $10 multiplied by service up to a maximum of 25 years. The average monthly compensation of a participant is averaged over any two 12 month periods, whether or not consecutive but which do not overlap, from date of employment, including periods prior to the effective date of the plan, which produce the highest monthly average. A participant may receive early retirement benefits of the greater of the actuarial equivalent of 2% average monthly compensation multiplied by the participant's projected service (maximum of 25 years), multiplied by the participant's actual service, and divided by the participant's projected service or $10 multiplied by service up to a maximum of 25 years. Disability benefits are payable to participants (in the line of duty) equal to 50% of average monthly compensation. A participant (not in the line of duty) is eligible to receive the greater of 2% of average monthly compensation multiplied by the participant's service (maximum of 25 years) multiplied by the participant's actual service and divided by the participant's projected service or $10 multiplied by service up to a maximum of 25 years. All participants who become disabled prior to January 1, 2014 are eligible to receive this benefit. Pre-retirement death benefits (in the line of duty) for the participant's surviving spouse are payable monthly for life in the amount of the greater of 2% of average monthly compensation multiplied by the participant's service (maximum of 25 years) or $250. Pre-retirement death benefits (not in the line of duty) for the participant's surviving spouse are payable monthly for life in the amount of the greater of 1% of average monthly compensation multiplied by the participant's service (maximum of 25 years) or $10 multiplied by service up to a maximum of 25 years. Participants must have completed 5 years of service. Post-retirement death benefits are payable to the participant's surviving spouse in the greater of 50% of the participant's normal retirement benefit immediately prior to death or $10 multiplied by service up to a maximum of 25 years. The UOPP DB Plan includes a Cost of Living adjustment annually of 3% plus (if a participant is over 62 years old) one half of the amount by which the percentage increase in the Consumer Price Index for the 12 months ending September 30 preceding the year of adjustment exceeds 3%, not to exceed 1%.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

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

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

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

General Information about the Defined Benefit Pension Plans (Continued)

Employees Covered by Benefit Terms - At January 1, 2018, the valuation date, the following participants were covered by the benefit terms:

	County DB Plan	UOPP DB Plan	Teacher's DB Plan
Inactive employees or beneficiaries currently receiving benefits	715	186	425
Inactive employees entitled to, but not yet receiving benefits	22	38	-
Active employees	48	495	-
Total	785	719	425

Contributions - Provisions and contribution requirements in the County and the Teacher's DB Plans are established and may be amended by the Knox County Retirement and Pension Board in compliance with state law. For the UOPP DB Plan, some provisions and employee changes are limited based on wording in the Knox County Charter (Article VII, Section 7.05) while other provisions and employer contributions can be determined by the Knox County Retirement and Pension Board in compliance with state law. The Knox County Retirement and Pension Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by participants during the year, with an additional amount to finance net pension liabilities. Prior to July 1, 1991, County DB Plan participants contributed 5% of annual earnings. Effective July 1, 1991, all participant contributions were assumed by the County under Section 414(h) of the Internal Revenue Code. In the UOPP DB Plan, each participant shall contribute to the fund an amount equal to 6% of annual earnings. The employee accumulation will receive 4% simple interest. No participant contributions shall be required after a participant has completed 30 years of service. Each participant in the Teacher's DB Plan shall contribute an amount equal to 3% of base earnings (that part of earnings in any calendar year which does not exceed $4,800 per annum) plus 5% of excess earnings (that part of earnings in any calendar year which are in excess of base earnings). For FY 2018, the employer contributions for the County, UOPP, and the Teacher's DB Plans were approximately 192.02%, 23.11%, and N/A, respectively, of annual covered payroll.

Net Pension Liability

The County, UOPP, and Teacher's DB Plans' net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2018.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the County, UOPP, and Teacher's DB Plans.

	County DB Plan	UOPP DB Plan	Teacher's DB Plan
Actuarial Cost Method	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed
Remaining Amortization Period	15 Years	25 Years	15 Years
Asset Valuation Method for Actuarial Determined Contributions	5-year smoothed subject to a 10% corridor around the market value of assets	5-year smoothed subject to a 20% corridor around the market value of assets	5-year smoothed subject to a 10% corridor around the market value of assets
Discount and Investment Rate of Return	7.00%	7.25%	7.00%
Salary Increases	Active Contributing: 2.50%, Active Not-Contributing: 3.00%	3.00%	N/A
Cost of Living Increase	3.00%	3.125%	3.00%
Inflation	2.44%	2.44%	2.44%
Age at Retirement	65 and five years of service	Participants hired before age 40, age 57 and 30 years of credited service. Participants hired after age 40, age 50 and 25 years credited service.	60 or immediately if older (25 years of service or greater), 62 or immediately if older (less than 25 years of service)
Mortality Table	Linked to the Tennessee Consolidated Retirement System Mortality for healthy lives		Linked to the current mortality assumption utilized by the Tennessee Consolidated Retirement System
	Pre-Retirement: Base Table: 2012 IRS Table Improvement Scale: Scale AA Projection Period: 15 Years Post-Retirement: Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 Years	Pre-Retirement: Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 Years Post-Retirement: 1984 Unisex Mortality Table with no mortality improvements (set forward one year for males and set back four years for females)	Base Table: 2008-2012 TCRS Experience Improvement Scale: Scale AA Projection Period: 2 Years
Disability Table	Linked to the Tennessee Consolidated Retirement System mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)	Linked to the Tennessee Consolidated Retirement System mortality for disabled lives - 110% of standard IRS disabled mortality table (sex-distinct mortality table per RR 96-7)	N/A
Experience Study	January 1, 2007 to December 31, 2016	January 1, 2007 to December 31, 2016	January 1, 2007 to December 31, 2016

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

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

County DB Plan:

Asset Class:	Target Allocation	Long-Term Expected Real Arithmetic Return
Large Value	8.00%	6.68%
Large Blend	8.00%	6.68%
Large Growth	8.00%	6.68%
Mid-Cap Value	2.00%	7.89%
Mid-Cap Growth	2.00%	7.89%
Small Value	2.00%	7.89%
Small Growth	2.00%	7.89%
Foreign Large Value	3.00%	6.98%
Foreign Large Blend	3.00%	6.98%
Foreign Large Growth	3.00%	6.98%
Diversified Emerging Markets	2.00%	9.39%
Real Estate	7.00%	5.38%
Options-based	6.00%	3.89%
Market Neutral	6.00%	3.89%
World Bond	8.00%	1.30%
High Yield Bond	3.00%	4.36%
Intermediate-term Bond	6.00%	2.15%
Short-term Bond	12.00%	2.15%
Bank Loan	3.00%	2.15%
Money Market	6.00%	0.81%
Inflation	N/A	2.44%

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

UOPP DB Plan:

Asset Class:	Target Allocation	Long-Term Expected Real Arithmetic Return
Large Value	8.00%	6.68%
Large Blend	8.00%	6.68%
Large Growth	8.00%	6.68%
Mid-Cap Value	4.00%	7.89%
Mid-Cap Growth	4.00%	7.89%
Small Value	5.00%	7.89%
Small Growth	5.00%	7.89%
Foreign Large Value	5.00%	6.98%
Foreign Large Blend	5.00%	6.98%
Foreign Large Growth	5.00%	6.98%
Diversified Emerging Markets	5.00%	9.39%
Real Estate	3.00%	5.38%
Options-based	4.00%	3.89%
Market Neutral	4.00%	3.89%
World Bond	4.00%	1.30%
High Yield Bond	5.00%	4.36%
Intermediate-term Bond	4.00%	2.15%
Short-term Bond	6.00%	2.15%
Bank Loan	6.00%	2.15%
Money Market	2.00%	0.81%

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Teacher's DB Plan:

Asset Class:	Target Allocation	Long-Term Expected Nominal Arithmetic Return	Long-Term Expected Real Arithmetic Return
Large Value	8.00%	9.12%	6.68%
Large Blend	8.00%	9.12%	6.68%
Large Growth	8.00%	9.12%	6.68%
Mid-Cap Value	4.00%	10.33%	7.89%
Mid-Cap Growth	4.00%	10.33%	7.89%
Small Value	4.00%	10.33%	7.89%
Small Growth	4.00%	10.33%	7.89%
Foreign Large Value	4.00%	9.42%	6.98%
Foreign Large Blend	4.00%	9.42%	6.98%
Foreign Large Growth	4.00%	9.42%	6.98%
Diversified Emerging Markets	3.00%	11.83%	9.39%
Real Estate	5.00%	7.82%	5.38%
Options-based	4.00%	6.33%	3.89%
Market Neutral	4.00%	6.33%	3.89%
World Bond	6.00%	3.74%	1.30%
High Yield Bond	4.00%	6.80%	4.36%
Intermediate-term Bond	6.00%	4.59%	2.15%
Short-term Bond	8.00%	4.59%	2.15%
Bank Loan	4.00%	4.59%	2.15%
Money Market	4.00%	3.25%	0.81%

The assumed inflation rate is 2.44% per annum.

Rates of Return - The annual money-weighted rates of returns on defined benefit pension plan investments, net of investment related expenses, for the year ended June 30, 2018 were as follows:

Defined Benefit Plans:	2018
County DB Plan	8.71%
UOPP DB Plan	8.14%
Teacher's DB Plan	8.55%

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Discount Rate - The discount rate used to measure the total pension liability for the County and Teacher's DB Plans was 7% and the UOPP Plan was 7.25%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County, UOPP, and Teacher's DB Plans' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Tennessee State Law for Local Government Sponsored Defined Benefit Plans - In May 2014, the Tennessee General Assembly passed "The Public Employee Defined Benefit Financial Security Act of 2014", Tennessee Code Section 9-3-501, which will require Knox County and the Knox County Board of Education to make annual employer contributions equal to 100% of its actuarially determined contributions (ADC), use the entry age normal cost method, limit future pension benefit improvements if the net pension plan funded ratio is less than 60% and other requirements beginning in fiscal year 2016 with various provisions phased in through FY 2020. As of June 30, 2018, the County DB Plan's funded ratio was 59.54%. State law provides for penalties in the event that the funding level is below 60%, if the entity additionally provides benefit enhancements and fails to make contributions equal to the ADC. As the County made the actuarially determined contributions (ADC) and did not enhance benefits, there were no penalties.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the plans for the fiscal year ended June 30, 2018 are as follows (dollar amounts in thousands):

	County DB Plan			UOPP DB Plan			Teachers' DB Plan		
	Increase (Decrease)			Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at June 30, 2017	$ 71,464	$ 42,744	$ 28,720	$ 207,961	$ 168,792	$ 39,169	$ 67,981	$ 58,784	$ 9,197
Changes for the Year:									
Service Cost	135	-	135	2,779	-	2,779	-	-	-
Interest	4,756	-	4,756	14,445	-	14,445	4,532	-	4,532
Difference between Expected and Actual Expe	906	-	906	6,769	-	6,769	(690)	-	(690)
Change of Assumptions	452	-	452	(3,184)	-	(3,184)	891	-	891
Contribution - Employer	-	3,044	(3,044)	-	5,330	(5,330)	-	552	(552)
Contribution - Employee	-	90	(90)	-	1,351	(1,351)	-	-	-
Net Investment Income (Loss)	-	3,654	(3,654)	-	13,611	(13,611)	-	4,813	(4,813)
Benefit Payments including Refunds of Employee Contributions	(7,445)	(7,445)	-	(8,916)	(8,916)	-	(6,587)	(6,587)	-
Administrative Expense	-	(219)	219	-	(443)	443	-	(168)	168
Transfers to OPEB Plans for Disability Benefi	-	(28)	28	-	-	-	-	-	-
Net Changes	(1,196)	(904)	(292)	11,893	10,933	960	(1,854)	(1,390)	(464)
Balance at June 30, 2018	$ 70,268	$ 41,840	$ 28,428	$ 219,854	$ 179,725	$ 40,129	$ 66,127	$ 57,394	$ 8,733

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, UOPP, and Teacher's DB Plans, calculated using the discount rate of 7.00% for the County and Teacher's Plans and 7.25% for the UOPP Plan, as well as what the net pension liability (asset) would be for each plan if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate for the County and Teacher's Plans and 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate for the UOPP Plan as of June 30, 2018 :

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County DB Plan Net Pension Liability	$ 34,187,113	$ 28,428,381	$ 23,428,525
Teachers' DB Plan Net Pension Liability	$ 13,757,844	$ 8,733,255	$ 4,311,166

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
UOPP DB Plan Net Pension Liability	$ 70,914,649	$ 40,129,482	$ 14,711,316

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

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

For the year ended June 30, 2018, the County and the Board recognized pension expense of $3,353,575, $8,018,651, and $1,744,348, for the County, UOPP, and Teacher's Plans, respectively. At June 30, 2018, the County, UOPP, and Teacher's Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	County DB Plan		UOPP DB Plan		Teachers' DB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 657,650	$ 477,336	$ 17,920,880	$ -	$ -	$ -
Changes of assumptions	328,275	-	1,318,420	4,886,133	-	-
Net difference between projected and actual earnings on pension plan investments	-	103,256	-	1,135,959	10,801	-
Total	$ 985,925	$ 580,592	$ 19,239,300	$ 6,022,092	$ 10,801	$ -

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

B. Single-Employer Defined Benefit Plans (Continued)

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

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

Years ended June 30,	County DB Plan	UOPP DB Plan	Teachers' DB Plan
2019	$ 637,134	$ 3,425,977	$ 764,661
2020	286,158	2,036,833	189,387
2021	(354,371)	(132,593)	(764,958)
2022	(163,588)	1,652,036	(178,289)
2023	-	2,029,553	-
Thereafter	-	4,205,402	-
Total	$ 405,333	$ 13,217,208	$ 10,801

Payable to Pension Plans

At June 30, 2018, the County and the Board did not report a payable for any outstanding amount of employer contributions to the Plans required for the year ended June 30, 2018.

Trend Information

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

C. Agent Multiple-Employer Defined Benefit Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

General Information about the Pension Plan (Continued)

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

Employees Covered by Benefit Terms - At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	8
Total	12

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary and Knox County makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions made by Knox County were $130,224 based on a rate of 11.39% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Knox County state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset)

Knox County Executive And Officials' net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%.
Investment Rate of Return	7.25%, net of investment expense, including inflation
Discount Rate	7.25% per annum, compounded annually
Cost of Living Adjustments	2.25%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2016 (static projection to 6 years beyond the valuation date).

Mortality rates were based on actual experience from the June 30, 2016 actuarial experience study including an adjustment for some anticipated improvement in life expectancy.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

Change of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-term Securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Knox County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016	$ 2,281,260	$ 2,081,294	$ 199,966
Changes for the Year:			
Service Cost	34,497	-	34,497
Interest	170,637	-	170,637
Differences between expected and actual experience	269,763	- -	269,763
Changes in Assumptions	91,662	-	91,662
Contributions - Employer	-	121,769	(121,769)
Contributions - Employees	-	56,063	(56,063)
Net Investment Income	-	241,276	(241,276)
Benefit Payments, including refunds of employee contributions	(81,204)	(81,204)	-
Administrative Expense	-	(581)	581
Net Change	485,355	337,323	148,032
Balance at June 30, 2017	$ 2,766,615	$ 2,418,617	$ 347,998

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of Knox County Executive And Officials calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Knox County Executive And Official's Net Pension Liability (Asset)	$ 688,983	$ 347,998	$ 60,206

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

Pension Expense - For the year ended June 30, 2018, Knox County recognized a pension expense of $126,267.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, Knox County Executive And Officials reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 223,970	$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2,430
Changes in Assumptions	68,746	-
Contributions Subsequent to the Measurement date of June 30, 2017	130,224	-
Total	$ 422,940	$ 2,430

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

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

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) 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:

Years Ended June 30:	Amounts	
2019	$	103,413
2020		109,832
2021		93,356
2022		(16,315)

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

Payable to the Pension Plan

At June 30, 2018, Knox County did not report a payable outstanding. Contributions were paid to the pension plan as required for the year ended June 30, 2018.

Trend Information

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

D. Cost Sharing Multiple-Employer Defined Benefit Plans

Teacher's Legacy Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

General Information about the Pension Plan (Continued)

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

Contributions - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary and the LEAs make employer contributions at the rate set by the Board of Trustees of TCRS as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Knox County Schools for the year ended June 30, 2018 to the Teacher Legacy Pension Plan were $21,984,186 which is 9.08% of covered payroll. At June 30, 2018, there were 3,713 active Board participants. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

During FY2018, Knox County Schools remitted the employer and employee contributions for ten month contract employees in June 2018 for the July and August payroll.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Pension Liabilities (Assets) - At June 30, 2018, Knox County Schools reported an asset of $ (1,995,550) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Knox County Schools' proportion of the net pension asset was based on Knox County Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Knox County Schools' proportion was 6.10%. The proportion measured as of June 30, 2016 was 6.21%.

Pension Expense - For the year ended June 30, 2018, Knox County Schools recognized pension expense of $415,509.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, Knox County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 1,203,058	$ 41,198,705
Changes in Assumptions	16,901,137	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	302,919	-
Changes in Proportion of Net Pension Liability (Asset)	1,361,456	894,328
Board's Contributions Subsequent to the Measurement date of June 30, 2017	21,984,186	-
Total	$ 41,752,756	$ 42,093,033

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Knox County Schools' employer contributions of $21,984,186, reported as pension related deferred outflows of resources subsequent to the measurement date of June 30, 2017, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:	Amounts
2019	$ (13,886,737)
2020	6,528,106
2021	(4,750,360)
2022	(10,215,471)
2023	-

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

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement:

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Reporting Date	June 30, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%.
Investment Rate of Return	7.25%, net of investment expense, including inflation
Discount Rate	7.25% per annum, compounded annually
Cost of Living Adjustments	2.25%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-term Securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Knox County Schools will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Knox County Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what Knox County Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	$ 179,057,614	$ (1,995,550)	$ (151,647,919)

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

Payable to the Pension Plan

At June 30, 2018, Knox County Schools did not report a payable since all required employer contributions were made to the pension plan before the year ended June 30, 2018.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher's Legacy Plan (Continued)

Trend Information

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

Teacher Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1/2%. A 1% COLA is granted if the CPI change is between 1/2% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary and the LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, unless the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018 to the Teacher Retirement Plan were $2,443,004, which is 4.0% of covered payroll. At June 30, 2018, there were 1,263 active Board participants. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

Mandatory Defined Contribution Plan

As part of this plan, teachers hired after July 1, 2014 are required to participate in the State of Tennessee 401(k) Plan (see Note VI - G) which requires the Board to make mandatory employer contributions of 5.0% of the participant's compensation.

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

Pension Liabilities (Assets) – At June 30, 2018, Knox County Schools reported an asset of $ (1,645,816) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. Knox County Schools' proportion of the net pension asset was based on Knox County Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Knox County Schools' proportion was 6.24%. The proportion measured as of June 30, 2016 was 6.43%.

Pension Expense – For the year ended June 30, 2018, Knox County Schools recognized pension expense of $748,278.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, Knox County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 57,680	$ 123,778
Changes in Assumptions	144,593	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	88,559
Changes in Proportion of Net Pension Liability (Asset)	31,146	-
Board's Contributions Subsequent to the Measurement date of June 30, 2017	2,443,004	-
Total	$ 2,676,423	$ 212,337

Knox County School's employer contributions of $2,443,004 reported as pension related deferred outflows of resources, subsequent to the measurement date of June 30, 2017, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:	Amounts
2019	$ (6,096)
2020	(6,096)
2021	(11,167)
2022	(33,945)
2023	7,814
Thereafter	70,568

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

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Reporting Date	June 30, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%.
Investment Rate of Return	7.25%, net of investment expense, including inflation
Discount Rate	7.25% per annum, compounded annually
Cost of Living Adjustments	2.25%
Retirement Age	Pattern of retirement determined by experience study.
Mortality	Based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-term Securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Knox County Schools will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Knox County Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what Knox County Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Knox County Schools' Proportionate Share of the Net Pension Liability (Asset)	$ 328,360	$ (1,645,816)	$ (3,093,906)

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

Payable to the Pension Plan

At June 30, 2018, Knox County Schools did not report a payable since all required employer contributions were made to the pension plan before the year ended June 30, 2018.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

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

Teacher Retirement Plan (Continued)

Trend Information

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

E. Aggregate Pension Plans Note Disclosures

Aggregate pension plan note disclosures for all defined benefit plans as of and for the year ended June 30, 2018 was as follows:

(dollar amounts in thousands)

	Governmental Activities			
Defined Benefit Plan	Net Pension Liability (Asset)	Deferred Outflows	Deferred Inflows	Pension Expense
Primary Government - The County:				
County DB	$ 28,428	$ 986	$ 581	$ 3,354
UOPP DB	40,129	19,239	6,022	8,019
TCRS - County Executive & Officials	348	423	2	126
	68,905	20,648	6,605	11,499
Component Unit - The Board:				
Teacher's DB	8,733	11	-	1,744
TCRS - Teacher's Legacy	(1,996)	41,753	42,093	416
TCRS - Teacher Retirement	(1,646)	2,676	212	748
	5,091	44,440	42,305	2,908
Totals	$ 73,996	$ 65,088	$ 48,910	$ 14,407

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer Defined Contribution Plans

Plan provisions and contribution requirements for the defined contribution plans are established and may be amended by the Knox County Retirement and Pension Board. The powers of the Knox County Retirement and Pension Board (Pension Board) are governed by the Knox County Charter, Article VII, as amended. The Pension Board can change, or modify, each plan's employer defined contribution rates as defined by the authority granted under the Knox County Charter, Section 7.01(b). Administrative costs of the plans are paid with plan assets in the DB Plans and the Disability (OPEB) Plan**.** Forfeitures from the DC Plans are used to fund employer's ADC for the Disability (OPEB) Plan.

Participant Loans – Defined Contribution Plans

Effective September 1, 2016, the Asset Accumulation Plan and STAR was amended to allow for loans to active participants. Loan eligibility requirements are:

Actively employed
Fully vested (Asset Accumulation Plan 5 years; STAR 10 years)
Minimum account balance of $20,000
Minimum loan amount - $5,000
Maximum loan amount – 25% of account balance up to $50,000
Maximum loan term may not exceed 5 years
Only one loan permitted at any time

Participant loans are reported at amortized cost.

Unless extended by the Pension Board, the participant loan program will cease as of June 30, 2018 and no new loans will be approved after this date.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer Defined Contribution Plans (Continued)

Asset Accumulation Plan

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

At June 30, 2018, there were 4,455 active Plan members. During the year, the County's and Board's employer expense and member contributions amounted to $9,005,693 and $9,005,693 respectively. Non-vested forfeitures of $380,787 were transferred to the County Disability OPEB Plan as an employer contribution as described in Note V-A.

At June 30, 2018, neither the County nor the Board reported a payable for employer contributions or participant contributions.

Voluntary 457 Plan

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

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

The employer matching contributions for the 457 Plan are deposited into the participants 401(a) account in the Asset Accumulation or STAR Plans.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer Defined Contribution Plans (Continued)

Voluntary 457 Plan (Continued)

In January 2008, the Pension Board added two additional outside 457 vendors as investment alternatives. Knoxville Teachers Credit Union (Board employees only) and Security Benefit were added January 1, 2008 and volunteer contributions made by participants in the Asset Accumulation Plan would also be eligible for the match offered by the employer. In September 2008, Nationwide, a third 457 vendor was added to the Program. Security Benefit was terminated as a 457(b) provider as of November 2015. Each vendor prepares separate financial reports and is not included in the Knox County Voluntary 457 Plan Trust.

Effective July 1, 2008 the option of contributing to a 457(b) Plan was expanded to those active participants in the closed County Defined Benefit (DB) Plan. The employer match for the closed County DB Plan participants is a maximum of 3% of pay. Closed County DB participants are eligible for the same 457 Plans/Vendors that are offered under the Asset Accumulation Plan. Beginning July 2015, participants in UOPP and STAR were allowed to make contributions to the County's 457(b), but the County makes no matching contributions.

As of June 30, 2018, there were 841 active Plan members in the Knox County Voluntary 457(b) Plan. During the year, member contributions amounted to $2,434,893 and the County and Board made employer contribution of $1,689,545.

At June 30, 2018, neither the County nor the Board reported a payable for participant contributions.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

F. Single-Employer Defined Contribution Plans (Continued)

Sheriff's Total Accumulation Retirement Plan (STAR)

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

At June 30, 2018, the STAR Plan had 293 active members. During the year employees contributed $557,921 and the employer expensed $929,866 for the basic 10% contribution and $185,973 for the 2% supplemental contribution. Non-vested forfeitures of $255,547 were transferred to the County Disability OPEB Plan as an employer contribution as described in Note V-A.

At June 30, 2018, the County did not report a payable for either employer contributions or participant contributions.

NOTE VI. EMPLOYEE RETIREMENT PLANS (Continued)

G. Multiple-Employer Defined Contribution Plans

State of Tennessee 401(k) Plan - Teachers Hired Before July 1, 2014

The TCRS Teacher Legacy Defined Benefit Plan (see Note VI-D) allows Knox County Board of Education (Board) teachers and other certified personnel hired before July 1, 2014, to participate in the State of Tennessee 401(k) Plan as administered by the Tennessee Department of Treasury. Participation in this plan is optional and is 100% funded by participant's elective contributions. The Board does not make employer contributions to this plan. Plan benefits are dependent solely on amounts contributed by participants plus investment earnings. Employees are eligible to participate on the first day of employment.

At June 30, 2018 there were 73 active participants. During the year participant contributions amounted to $265,363.

At June 30, 2018, the Board did not report a payable for any outstanding participant contributions.

State of Tennessee 401(k) Plan - Teachers Hired After July 1, 2014

The TCRS Teacher Retirement Defined Benefit Plan (see Note VI -D) requires all Knox County Board of Education (Board) teachers and other certified personnel hired after July 1, 2014, to participate in the State of Tennessee 401(k) Plan as administered by the Tennessee Department of Treasury. Participation is mandatory and begins on the first day of employment. The Board is required to make mandatory employer contributions of 5.0% of the participant's compensation. Elective employee deferrals are optional but can be up to the annual maximum amount permitted by the Internal Revenue Service. Participants are 100% immediately vested in the employer contributions. Plan benefits depend solely on amounts contributed to the plan plus investment earnings.

At June 30, 2018 there were 1,263 active participants. During the year the Board employer contribution expense and participant contributions amounted to $2,760,559 and $945,471, respectively.

At June 30, 2018, the Board did not report a payable for any outstanding employer expense or participant contributions.

Copies of the complete financial statements of the County for the current Fiscal Year are available at https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html.