

**KNOXVILLE'S COMMUNITY  
DEVELOPMENT CORPORATION  
Knoxville, Tennessee**

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**REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND SINGLE AUDIT**

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**FOR THE YEAR ENDED JUNE 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Knoxville's Community Development Corporation  
Knoxville, Tennessee

HUD, Knoxville Field Office  
710 Locust Street, S. W.  
Knoxville, Tennessee 37902-2526

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Knoxville's Community Development Corporation ("the Authority") which include the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the Authority'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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audit. 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic 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 Authority'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 basic financial statements.

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

***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### ***Required Supplementary Information***

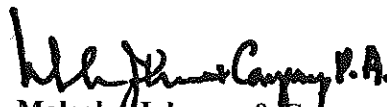
Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i-x be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), the Financial Data Schedule, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 27, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
December 27, 2016

**KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

Knoxville’s Community Development Corporation’s (KCDC) Management’s Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of KCDC’s financial activity, (c) identify changes in KCDC’s financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the MD&A is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with KCDC’s basic financial statements (see table of contents).

**Financial Highlights - 2016**

- KCDC’s total net position decreased by \$6.0 million (or -6.4%) during fiscal year 2016. Since KCDC engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was \$87.5 million and \$93.5 million for 2016 and 2015 respectively. This decrease in net position is primarily due to the increase this year in debt reduction payments as well as the negative equity with the addition to Component Units of Passport Homes LP and Passport Residences LP.
- The business-type activities revenue increased by \$2.6 million (or 5.4%) during fiscal year 2016. Revenues were \$51.0 million and \$48.4 million for 2016 and 2015 respectively. The increase in revenue from last fiscal year is primarily due to the increase in tenant rents and program subsidies during the current year.
- The total expenses of KCDC programs increased by \$1.1 million (or 2%). Total expenses were \$55.2 million and \$54.1 million for 2016 and 2015 respectively. The increase in expenses from last fiscal year is primarily due an increase in administrative expenses (salaries, benefits, legal, and bond payoff expenses), slight increase in utilities and general expense and the extraordinary item loss in assets held for sale (State/Local) from prior year. Not including this item, the total expenses of KCDC programs increased by \$.5 million (or .9%). Total expenses were \$54.7 million and \$54.2 million for 2016 and 2015 respectively. This increase is primarily due to the increase in administrative, utilities, and general expenses mentioned above.

**Using This Annual Report**

The Report includes three major sections, the “Management’s Discussion and Analysis (MD&A), “Basic Financial Statements”, and “Supplemental Information”:

**MD&A**

~ Management Discussion and Analysis (new)

**Basic Financial Statements**

~ Authority-wide Basic Financial Statements (new)

~ Notes to Basic Financial Statements (expanded/restructured)

**Supplemental Information**

~ Supplemental Information

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

The primary focus of KCDC's basic financial statement (summarized program-type information) has been discarded. The new and clearly preferable focus is on both KCDC as a whole (Authority-wide). This perspective (Authority-wide) allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance KCDC's accountability.

**Authority-Wide Basic Financial Statements**

The Authority-wide basic financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for KCDC.

These Statements include a **Statement of Net Position**, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for KCDC. The statement is presented in the format where assets and deferred outflow of resources minus liabilities and deferred inflow of resources, equals "Net Position", formerly known as Net Assets. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-Current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for KCDC. Net Position (formerly Net Assets) is reported in three broad categories:

**Net Investment in Capital Assets:** This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position:** This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

**Unrestricted Net Position:** Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The Authority-wide basic financial statements also include a **Statement of Revenues, Expenses and Changes in Net Position** (similar to an Income Statement). This Statement includes Operating Revenues, such as Rental Income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Nonoperating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a **Statement of Cash Flows** is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Authority-Wide Statement**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position compared to prior year. KCDC is engaged only in Business-Type Activities.

**Table 1 – Statement of Net Position (in millions)**

	<u>2016</u>	<u>2015</u>	<u>Net Change</u>	<u>% Change</u>
<b>Assets:</b>				
Current and Restricted Assets	\$ 37.9	\$ 39.6	\$ (1.7)	-4.3%
Capital Assets, Net	64.4	65.6	(1.2)	-1.8%
Other Assets	11.0	16.7	(5.7)	-34.1%
<b>Total Assets</b>	<b>113.3</b>	<b>121.9</b>	<b>(8.6)</b>	<b>-7.1%</b>
<b>Deferred Outflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>NA</b>
<b>Total Assets &amp; Deferred Outflow of Resources</b>	<b>113.3</b>	<b>121.9</b>	<b>(8.6)</b>	<b>-7.1%</b>
<b>Liabilities</b>				
Current Liabilities	6.5	4.7	1.8	38.3%
NonCurrent Liabilities	19.3	23.7	(4.4)	-18.6%
<b>Total Liabilities</b>	<b>25.8</b>	<b>28.4</b>	<b>(2.6)</b>	<b>-9.2%</b>
<b>Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>NA</b>
<b>Total Liabilities &amp; Deferred Inflow of Resources</b>	<b>25.8</b>	<b>28.4</b>	<b>(2.6)</b>	<b>-9.2%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	44.4	41.3	3.1	7.5%
Restricted Net Position	-	-	-	100.0%
Unrestricted Net Position	43.1	52.2	(9.1)	-17.4%
<b>Total Equity/Net Assets/Position</b>	<b>\$ 87.5</b>	<b>\$ 93.5</b>	<b>\$ (6.0)</b>	<b>-6.4%</b>

For more detailed information, see the Statement of Net Position.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Major Factors Affecting the Statement of Net Position**

Total Assets and Deferred Outflow of Resources decreased by \$8.6 million primarily due to a decrease in other non-current assets due to the elimination of the long-term notes receivables related to Passport Homes LP and Passport Residences LP, additional Component Units this year. Total Liabilities and Deferred Inflow of Resources decreased by \$2.6 million which is primarily due to continued note and bond reduction as well as the elimination of the long-term debt as a result of the additional Component Units of Passport Homes LP and Passport Residences LP this year. Total Equity/Net Assets/Position decreased by \$6.0 million this year. This decrease in net position is primarily due to the decrease this year in Net Investment in Capital Assets due to current year depreciation and the negative equity with the addition to Component Units of Passport Homes LP and Passport Residences LP.

Table 2 presents details on the change in Unrestricted Net Position

**Table 2 – Change in Unrestricted Net Position (in millions)**

<b>Unrestricted Net Position as of 6/30/2015</b>	<b>\$ 52.2</b>
Results of Operations-FY16	(4.2)
Adjustments:	
Depreciation Expense	<u>10.0</u>
Adjusted Results from Operations	<b>5.8</b>
Net investment in Capital Assets and Restricted Net Position related adjustments and addition of negative equity	<u>(14.9)</u>
<b>Unrestricted Net Position as 6/30/2016</b>	<b><u>\$ 43.1</u></b>

While the result of operations is a significant measure of KCDC's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.



**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Table 3 – Statement of Revenues, Expenses and Changes in Net Position (in millions)**

The following schedules compares the revenues and expenses for the current and previous fiscal year.

	<u>2016</u>	<u>2015</u>	<u>Net Change</u>	<u>% Change</u>
<b>Including Extraordinary items:</b>				
<b>Revenues</b>				
Tenant Rents/Other	\$ 5.5	\$ 4.9	\$ 0.6	12.2%
Program Subsidies-Grants	43.8	41.8	2.0	4.8%
Interest Income	0.2	0.3	(0.1)	-33.3%
Other Revenues	1.5	1.4	0.1	7.1%
<b>Total Revenues</b>	<u>51.0</u>	<u>48.4</u>	<u>2.6</u>	<u>5.4%</u>
<b>Expenses</b>				
Administrative	9.0	8.3	0.7	8.4%
Tenant Services	0.8	0.8	-	0.0%
Utilities	3.5	3.3	0.2	6.1%
Maintenance	6.1	6.1	-	0.0%
Protective Services	0.6	0.6	-	0.0%
General	2.5	2.3	0.2	8.7%
Interest & Amortization	0.9	1.1	(0.2)	-18.2%
Extraordinary Maintenance & Casualty Losses	0.1	0.1	-	0.0%
Housing Assistance Payments	21.2	21.6	(0.4)	-1.9%
Depreciation	10.0	10.0	-	0.0%
Extraordinary Items, net loss/(gain)	0.5	(0.1)	0.6	-600.0%
<b>Total Expenses</b>	<u>55.2</u>	<u>54.1</u>	<u>1.1</u>	<u>2.0%</u>
<b>Decrease in Net Position</b>	<u>\$ (4.2)</u>	<u>\$ (5.7)</u>	<u>\$ 1.5</u>	<u>-26.3%</u>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Table 3 – Statement of Revenues, Expenses and Changes in Net Position (in millions) (Continued)**

	<u>2016</u>	<u>2015</u>	<u>Net Change</u>	<u>% Change</u>
<b>Excluding Extraordinary items:</b>				
<b>Revenues</b>				
Tenant Rents/Other	\$ 5.5	\$ 4.9	\$ 0.6	12.2%
Program Subsidies-Grants	43.8	41.8	2.0	4.8%
Interest Income	0.2	0.3	(0.1)	-33.3%
Other Revenues	1.5	1.4	0.1	7.1%
<b>Total Revenues</b>	<u>51.0</u>	<u>48.4</u>	<u>2.6</u>	<u>5.4%</u>
<b>Expenses</b>				
Administrative	9.0	8.3	0.7	8.4%
Tenant Services	0.8	0.8	-	0.0%
Utilities	3.5	3.3	0.2	6.1%
Maintenance	6.1	6.1	-	0.0%
Protective Services	0.6	0.6	-	0.0%
General	2.5	2.3	0.2	8.7%
Interest & Amortization	0.9	1.1	(0.2)	-18.2%
Extraordinary Maintenance & Casualty Losses	0.1	0.1	-	0.0%
Housing Assistance Payments	21.2	21.6	(0.4)	-1.9%
Depreciation	10.0	10.0	-	0.0%
<b>Total Expenses</b>	<u>54.7</u>	<u>54.2</u>	<u>0.5</u>	<u>0.9%</u>
<b>Decrease in Net Position</b>	<u>\$ (3.7)</u>	<u>\$ (5.8)</u>	<u>\$ 2.1</u>	<u>-36.2%</u>

**Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position**

- The increase in revenue from last fiscal year is primarily due to the increase in tenant rents and program subsidies from prior year. The increase in expenses from last fiscal year is primarily due to an increase in administrative expenses (salaries, benefits, legal, bond payoff expenses), some increase in utilities and general expense and the extraordinary item loss in assets held for sale (State/Local) from prior year. Not including this item, the total expenses of KCDC programs increased slightly due to the increase in administrative expenses, utilities, and general expense mentioned above.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Budgetary Highlights**

For the year ended June 30, 2016, budgets were prepared by KCDC and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the excess of expenses over revenues, KCDC's net position decreased during the fiscal year. This decrease is attributable to the extraordinary loss in assets held for sale and the increase in administrative expenses, utilities, and general expenses compared to the increases in tenant rents and program subsidies.

**Capital Assets and Debt Administration**

**Capital Assets**

For the year ended June 30, 2016, KCDC had 64.4 million invested in a variety of capital assets as reflected in the following schedule, which represents a decrease (deductions and depreciation) of \$1.2 million from the end of last year. This net decrease is primarily due to current year depreciation as a result of current year additions to the depreciation schedule and the addition of the Component Units, Passport Homes LP and Passport Residences LP.

**Table 4 – Capital Assets at Year-End (Net of Depreciation) (in millions)**

	<b>Business-type Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>	<b>% Change</b>
Land	\$ 4.0	\$ 3.9	\$ 0.1	2.6%
Buildings	238.9	227.1	11.8	5.2%
Furniture/Equipment	1.8	1.8	-	0.0%
Accumulated Depreciation	(186.6)	(173.1)	(13.5)	7.8%
Construction in Progress	6.3	5.9	0.4	6.8%
<b>Capital Assets, Net</b>	<b>\$ 64.4</b>	<b>\$ 65.6</b>	<b>\$ (1.2)</b>	<b>-1.8%</b>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Capital Assets and Debt Administration (Continued)**

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes to the financial statements.

**Table 5 – Change in Capital Assets**

	<u><b>Business Type Activities</b></u>
<b>Beginning Balance 6/30/2015</b>	\$ 65.6
Additions	12.4
Retirements (Net of Depreciation)	(3.6)
Depreciation	<u>(10.0)</u>
<b>Ending Balance 6/30/2016</b>	<u><b>\$ 64.4</b></u>

**Debt Outstanding**

For the year ended June 30, 2016, KCDC had \$ 20.0 million in debt (bonds, notes, etc.) outstanding compared to \$24.2 last year, showing a \$4.2 million decrease primarily due to the payoff of the CFFP bonds in fiscal year 2016 with a direct loan and continued note reductions.

**Table 6 – Outstanding Debt, at Year-End (in millions)**

<b>Business Type</b>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>Net Change</b></u>	<u><b>% Change</b></u>
Capital Improvements-Long Term	\$ 17.7	\$ 22.4	\$ (4.7)	-21.0%
Current Portion of Debt	<u>2.3</u>	<u>1.8</u>	<u>0.5</u>	<u>27.8%</u>
<b>Total Debt</b>	<u><b>\$ 20.0</b></u>	<u><b>\$ 24.2</b></u>	<u><b>\$ (4.2)</b></u>	<u><b>-17.4%</b></u>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Economic Factors**

Significant economic factors affecting KCDC are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on fuel costs, utility rates, supplies and other costs

**Financial Contact**

The individual to be contacted regarding this report is Tracee B. Pross, Chief Financial Officer, KCDC at (865) 755-6433. Specific requests may be submitted to Tracee B. Pross, Chief Financial Officer, KCDC, P. O. Box 3550, Knoxville, TN 37927-3550.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**(Continued)**

**Roster of Board Members**

Chairman:	Dr. Daniel P. Murphy
Vice Chairman:	Jacqueline Arthur
Secretary:	Arthur W. Cate, Jr.
Treasurer:	John Winemiller

Commissioner:	Bruce Anderson
Commissioner:	Gloria Garner
Commissioner:	Bob Whetsel
Commissioner:	Kimberly Hickman

**Roster of Management Officials**

Arthur W. Cate, Jr., Executive Director/CEO  
Tracee B. Pross, Chief Financial Officer  
C. Sean Gilbert, Senior Vice President of Housing  
Joyce M. Floyd, Vice President-Strategic Planning and Development  
Brad Peters, Vice President-Redevelopment and Legal Counsel

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**ASSETS**

**Current assets**

Cash and cash equivalents, unrestricted	\$ 18,780,338
Cash and cash equivalents, restricted	1,861,920
Investments, unrestricted	15,816,142
Investments, restricted	137,490
Accrued interest receivable	32,946
Accounts receivable, net of allowance	95,658
Due from other governments	544,914
Inventories, net of allowance for obsolescence of \$1,328	65,085
Prepaid items	215,595
Assets held for sale or conveyance	317,890

<b>Total current assets</b>	<b>37,867,978</b>
-----------------------------	-------------------

**Noncurrent assets**

**Other assets**

Notes and mortgages receivable	5,036,924
Investments in joint ventures	13,142

<b>Total other assets</b>	<b>5,050,066</b>
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**Capital assets**

Not being depreciated	10,325,570
Depreciable, net	54,077,430

<b>Total capital assets, net</b>	<b>64,403,000</b>
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**Other noncurrent assets**

Assets held for sale or conveyance	5,997,300
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<b>Total other noncurrent assets</b>	<b>5,997,300</b>
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<b>Total noncurrent assets</b>	<b>75,450,366</b>
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**Total assets**

Deferred outflow of resources	-
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<b>Total assets and deferred outflow of resources</b>	<b>113,318,344</b>
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**LIABILITIES**

**Current liabilities**

Vendors and contractors payable	125,083
Accrued wages/taxes payable	216,907
Accrued compensated absences	1,043,613
Accrued interest payable	1,132,593
Resident security deposits	114,713
Due to other governments	268,981
Unearned revenues	557,650
Notes and bonds payable	2,328,451
Other current liabilities	48,859
Accrued liabilities	694,745

<b>Total current liabilities</b>	<b>6,531,595</b>
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**Noncurrent liabilities**

Notes and bonds payable	17,695,083
Accrued compensated absences	1,536,379
FSS escrows	28,638

<b>Total noncurrent liabilities</b>	<b>19,260,100</b>
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**Total liabilities**

Deferred inflow of resources	-
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<b>Total liabilities and deferred inflow of resources</b>	<b>25,791,695</b>
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**NET POSITION**

Net investment in capital assets	44,379,466
Restricted	4,667
Unrestricted	43,142,516

<b>Total net position</b>	<b>\$ 87,526,649</b>
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The accompanying notes are an integral part of these basic financial statements.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
Knoxville, Tennessee

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

<b>Operating revenues</b>	
Rental revenue, net of bad debt expens of \$340,987	\$ 4,937,437
HUD grants	39,522,872
Other governmental grants	94,963
Other revenue	1,601,262
<b>Total operating revenues</b>	<b>46,156,534</b>
<b>Operating expenses</b>	
Administrative	9,020,225
Tenant services	765,167
Utilities	3,498,115
Ordinary maintenance & operation	6,129,707
Protective services	602,412
Insurance	494,959
General expenses	1,640,028
Housing assistance payments	21,189,740
Depreciation	9,970,024
<b>Total operating expenses</b>	<b>53,310,377</b>
<b>Operating income (loss)</b>	<b>(7,153,843)</b>
<b>Nonoperating revenues (expenses)</b>	
Interest revenue, unrestricted	178,593
Interest revenue, restricted	476
Interest expense	(950,418)
Fraud recovery	170,182
Other expense	(88,269)
Gain on sale of capital assets	(824)
<b>Total nonoperating revenues</b>	<b>(690,260)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(7,844,103)</b>
<b>Capital contributions</b>	<b>4,182,130</b>
<b>Extraordinary items, net gain/(loss)</b>	<b>(548,810)</b>
<b>Increase (decrease) in net position</b>	<b>(4,210,783)</b>
<b>Net position, beginning of year, restated (see Note Z)</b>	<b>91,737,432</b>
<b>Net position, end of year</b>	<b>\$ 87,526,649</b>

The accompanying notes are an integral part of these basic financial statements.



**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

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

**Cash Flows From Operating Activities**

Receipts from dwelling rentals	\$ 5,680,849
Operating grants	39,704,986
Other receipts	1,338,712
Payments to employees and suppliers	(19,191,840)
Payments to landlords and resident benefits	(23,065,694)
Transfers	(1,068,051)
<b>Net cash provided (used) by operating activities</b>	<b><u>3,398,962</u></b>

**Cash Flows From Capital and Related Financing Activities**

Capital contributions	4,412,420
Purchases of capital assets	(3,916,876)
Proceeds/(loss) from disposals of capital assets	(824)
Principal paid on capital debt	(9,959,627)
Interest paid on capital debt	(181,825)
Transfers	179,179
<b>Net cash provided (used) by capital and related financing activities</b>	<b><u>(9,467,553)</u></b>

**Cash Flows From Investing Activities**

Purchase of investments	6,224,109
Proceeds from homebuyer note activity - net	5,170,495
Investment in joint ventures	27
Interest	185,987
<b>Net cash provided (used) by investing activities</b>	<b><u>11,580,618</u></b>

<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,512,027</b>
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<b>Balance - beginning of the year</b>	<b><u>15,130,231</u></b>
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<b>Balance - end of the year</b>	<b><u><u>\$ 20,642,258</u></u></b>
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**Reconciliation of Cash Flows to Statement of Net Position**

Cash and cash equivalents, unrestricted	\$ 18,780,338
Cash and cash equivalents, restricted	1,861,920
	<b><u><u>\$ 20,642,258</u></u></b>

**Non-cash investing and financing activities:**

Component Unit - Assumed ownership of capital assets and directly related liabilities for Passport Homes, L.P.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(Continued)**

**Reconciliation of Net Operating Income (Loss) to**  
**Net Cash Provided (Used) By Operating Activities**

<b>Operating income/(loss)</b>	<b>\$ (7,153,843)</b>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation elimination	9,970,024
Decrease in accounts receivable	423,145
Decrease in due to/from other governments	136,974
Increase in inventory	(1,493)
Decrease in prepaid expenses	251,972
Increase in security deposits	114,713
Decrease in accounts payable	(87,054)
Decrease in accrued wages	(97,463)
Increase in accrued compensated absences	252,166
Increase in accrued liabilities	6,112
Increase in unearned credits	569,847
Other revenue and expense reported as nonoperating	81,913
Transfers	(1,068,051)
	<u><u><b>\$ 3,398,962</b></u></u>

The accompanying notes are an integral part of these basic financial statements.

**KNOXVILLE COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**A - Summary of Significant Accounting Policies and Organization:**

1. **Organization:** Knoxville's Community Development Corporation, Inc. ("KCDC") is a public body corporate and politic pursuant to the Laws of the State of Tennessee which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal Agencies. The primary purpose of KCDC is to provide safe, decent, sanitary and affordable housing to low-income, elderly and handicapped families in Knoxville, Tennessee.
2. **Reporting Entity:** the governing body of KCDC is its Board of Commissioners, which is composed of seven members appointed by the Mayor of the City of Knoxville. The Board appoints a Chief Executive Officer to administer the business of KCDC. KCDC is not considered a component unit of the City of Knoxville, as the Board independently oversees KCDC's operations.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has the following blended component units:

- **Passport Development Corporation** is a Section 115 Corporation acting as KCDC's general partner to the limited partnerships formed in conjunction with low-income tax credits.
- **Knoxville's Housing Development Corporation** is a Section 115 Corporation established to acquire, rehab or develop affordable housing projects in the Knoxville area for KCDC.
- **Family Investment Foundation, Inc.** is a 501(c) (3) Corporation established for charitable, social, vocational, recreational and health purposes, and related business ventures.
- **Greater Tennessee Housing Assistance Corporation** is a Section 115 Corporation established for the purpose of funding the construction of six Section 8 New Construction housing projects. All debts have been paid and all projects have been sold. The corporation is now dormant.
- **Five Points I Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Senior Building.
- **Five Points II Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Phase 2 84 family and elderly units.
- **Passport Housing Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the rehabilitation of units at Residences at Lonsdale, North Ridge Crossing, and The Vista at Summit Hill.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**2. Reporting Entity: (Continued)**

- **Townview Towers Affordable Housing Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to facilitate the renovation of Townview Towers Apartments. The corporation owns a 40% ownership interest in TVT GP, LLC, General Partner to TVT, LP established to finance transactions related to the rehabilitation of Townview Towers Apartments. This corporation is currently inactive.
- **Passport Homes Limited Partnership** – KCDC entered into a mixed financing arrangement with Passport Homes L.P. (PHLP) for the addition of 11 Public Housing and 22 Section 8 units as part of the University Avenue Affordable Housing Project, "Passport Homes", in the Mechanicsville Community. During fiscal year 2016, the investor limited partner exited the limited partnership and KCDC was assigned the limited partner position. As such this limited partnership is now an instrumentality of KCDC.
- **Passport Residences Limited Partnership** – KCDC entered into a mixed financing arrangement with Passport Residences, L.P. (PRLP) for the addition of 50 public housing units as part of Passport Homes in the Mechanicsville Community in Knoxville, Tennessee. During fiscal year 2016, the investor limited partner exited the limited partnership and KCDC was assigned the limited partner position. As such, this limited partnership is now an instrumentality of KCDC.

These blended component units are reported in the aggregate on the Combining Schedule of Net Assets and Combining Schedule of Revenues, Expenses and Changes in Net Position. .

**Main programs of KCDC are as follows:**

**Low Rent Public Housing** under Annual Contributions Contract A-2571: This type of housing consists of apartments and single-family dwellings owned and operated by KCDC. Funding is provided by tenant rent payments and subsidies provided by HUD.

**Section 8 Housing Assistance Payments Programs** under Annual Contributions Contract A-3159 (Housing Choice Vouchers and Moderate Rehabilitation Programs): These are housing programs wherein low rent tenants lease housing units directly from private landlords rather than through KCDC. KCDC contracts with these private landlords to make assistance payments for the difference between the approved contract rent and the actual rent paid by the low rent tenants.

**Redevelopment Program** administers CDBG and other projects for the City of Knoxville and Knox County.

**Public Housing Capital Fund Cluster of Programs** are programs for the modernization, demolition and redevelopment of public housing which include Capital Fund Programs.

**The Manor** is a program whereby KCDC provides meals, laundry service, and has a twenty-four hour staff available for the special needs of the more dependent elderly tenants. This service is provided to those tenants for a fee.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**2. Reporting Entity: (Continued)**

**Entrepreneurial Activities** is a program which provides technical assistance to other PHA's and local governments.

**Central Office Cost Center** is a business unit within KCDC that earns income from fees and/or by overseeing other business activity.

**Other Programs** administered by KCDC are designed to give assistance to residents in a manner which encourages independence and upward mobility and provide professional services to other agencies as needed.

- 3. Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP).

Based upon compelling reasons offered by HUD, KCDC reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

**Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

**Restricted** - Net position whose use by KCDC is subject to externally imposed stipulations that can be fulfilled by actions of KCDC pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**Unrestricted** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or KCDC Board or may otherwise be limited by contractual agreements with outside parties.

- 4. Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for basic financial statement presentation.
- 5. Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, KCDC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

- 6. Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of KCDC. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.
- 7. Investments:** Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD.
- 8. Inventories -** Inventories (consisting of materials and supplies) are valued at cost using the moving average method. If inventory falls below cost due to damage, deterioration or obsolescence, KCDC establishes an allowance for obsolete inventory. KCDC relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with the consumption method, inventory is expensed when items are actually placed in service.
- 9. Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.
- 10. Use of Estimates:** The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- 11. Fair Value of Financial Instruments:** The carrying amount of KCDC's financial instruments at June 30, 2016 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.
- 12. Capital Assets:**
  - a. Book Value:** All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Land values were derived from development closeout documentation.

Donated fixed assets are recorded at their fair value at the time they are received.

Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**12. Capital Assets: (Continued)**

- b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	27 years
Building modernization	10 years
Appliances	7 years
Office equipment	7 years
Maintenance equipment	5 years
Automobiles	5 years
Community space equipment	5 years
Computer Equipment	3 years

- c. Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$5,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.
- 13. Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 16*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of KCDC and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of KCDC and its employees are accounted for in the period in which such services are rendered or in which such events take place.
- 14. Litigation Losses:** KCDC recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred; the loss is probable and the loss is reasonably estimable.
- 15. Annual Contribution Contracts:** Annual Contribution contracts provide that HUD shall have KCDC to audit and examine the records of public housing authorities. Accordingly, final determination of KCDC's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by KCDC.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

- 16. Risk Management** - KCDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. KCDC carries commercial insurance for all identified risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.
- 17. Use of Restricted Assets:** It is KCDC's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.
- 18. Operating Revenues and Expenses:** The principal operating revenues of KCDC's enterprise fund are charges to customers for rents and services. Operating expenses for KCDC's enterprise fund include the cost of providing housing and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- B - Deposits and Investments:** For purposes of the Statement of Cash Flows, KCDC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. Investments are disclosed at Par Value with unamortized premiums and discounts.

**1. HUD Deposit and Investment Restrictions**

HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by KCDC or with an unaffiliated bank or trust company for the account of KCDC.

**2. Deposit and Investment Risks**

KCDC held the following deposit and investments at June 30, 2016:

**Deposits:**

**Carrying Value**

Demand

**\$ 20,642,258**



**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**B - Deposits and Investments: (Continued)**

**2. Deposit and Investment Risks (Continued)**

**Investment:**

<b>Investment</b>	<b>Maturity Date</b>	<b>Amortized Value</b>	<b>Moody's Rating</b>	<b>S&amp;P Rating</b>	<b>Callable</b>
FHLMC FR	02/22/2017	\$ 1,000,223	AAA	AA +	No
US TREAS NTS	05/31/2017	998,948	AAA	NR	No
US TREAS NTS	02/28/2017	1,000,821	AAA	NR	No
FFCB	10/10/2017	829,293	AAA	AA +	Yes
FMB	05/25/2018	1,000,000	AAA	AA +	Yes
FNMA	06/19/2018	1,037,945	AAA	AA +	Yes
FFCB	07/13/2018	999,898	AAA	AA +	Yes
FHLB	07/27/2018	1,001,035	NR	NR	Yes
US TREAS NTS	08/15/2018	998,956	NR	NR	No
FHLMC	09/28/2018	1,000,935	AAA	AA +	Yes
FHLB	10/05/2018	1,000,755	AAA	AA +	Yes
FHLMC	03/30/2018	1,500,000	AAA	AA +	Yes
FHLB	04/02/2018	949,508	AAA	AA +	Yes
FHLMC	11/23/2018	1,000,000	AAA	AA +	Yes
Goldman Sachs BK USA NY CD	08/25/2016	250,000			No
Compass BK Birmingham Ala CD	12/30/2016	250,000			No
FNMA Bank of New York Mellon	02/26/2019	1,000,000	AAA	AA +	Yes
		<u>135,314</u>			
		<u><b>\$ 15,953,632</b></u>			

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**B - Deposits and Investments: (Continued)**

**2. Deposit and Investment Risks (Continued)**

Restricted - HCV Net Restricted Position	\$ 2,491
Restricted Family Self Sufficiency Escrow Balance	28,638
Replacement and Rehabilitation reserve restricted	1,016,184
Restricted per debt covenants	814,607
Unrestricted Cash	<u>18,780,338</u>
<b>Total Cash</b>	<b><u>20,642,258</u></b>
Restricted for payment of CFFP debt	135,314
Restricted - HCV Net Restricted Position	2,176
Unrestricted	<u>15,816,142</u>
<b>Total Investments</b>	<b><u>15,953,632</u></b>
<b>Total Cash and Investments</b>	<b><u>\$36,595,890</u></b>
Cash and cash equivalents - unrestricted	\$ 18,780,338
Cash and cash equivalents - restricted	1,861,920
Investments - unrestricted	15,816,142
Investments - restricted	<u>137,490</u>
	<b><u>\$36,595,890</u></b>

The investments held in the various trust accounts for bond covenant purposes are invested in open-ended mutual funds which are not subject to custodial credit risk because they do not represent specific individual securities.

**Custodial Credit Risk:** Exposure to custodial credit related to deposits exists when KCDC holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in KCDC's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when KCDC holds investment that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in KCDC's name.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**B - Deposits and Investments: (Continued)**

**2. Deposit and Investment Risks (Continued)**

KCDC's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities obligation of federal agencies, securities of government-sponsored agencies, and other instruments which may be approved by the U.S. Department of HUD. As required by Federal 12 U.S. C.A., Section 1823(e), all financial institutions pledging collateral to KCDC must have a written collateral agreement approved by the board of directors or loan committee.

The investments held in the various trust accounts for bond covenant purposes are invested in open-ended mutual funds which are not subject to custodial credit risk because they do not represent specific individual securities.

At June 30, 2016, KCDC was not exposed to custodial credit as defined above.

**Investment Credit Risk:** KCDC's investment policy limits unrestricted investments to those allowed by the U.S. Department of HUD. These investment limitations are described in Note A. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. KCDC has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations – rating agencies – as of the year end. Unless there is information to the contrary, obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investment above, at June 30, 2016, the investments held by KCDC mature 08/25/2016 through 02/26/2019. KCDC may sell these investments at fair value at any time.

**Concentration of Investment Credit Risk:** Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of KCDC. Investments issued or explicitly guaranteed by HUD-approved instruments are excluded from this consideration.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**C - Accounts Receivable:**

Tenant accounts (net of allowance for doubtful accounts of \$38,137)	\$ 75,978
Fraud recovery (net of allowance for doubtful accounts of \$30,881)	16,691
Other: Employees COBRA	2,066
Other: Resident Association	130
Other: State/Local Parking Revenue	250
Other: Landlord	<u>543</u>
	<b><u>\$ 95,658</u></b>

**D - Due From Other Governments:**

U.S. Department of HUD	\$ 243,515
Local Governments	<u>301,399</u>
	<b><u>\$ 544,914</u></b>

**E - Prepaid Items:**

Prepaid insurance	\$ 174,319
Other prepayments	<u>41,276</u>
	<b><u>\$ 215,595</u></b>

**F - Assets held for Sale or Conveyance:**

In its capacity as a local redevelopment agency, KCDC contracts with other local governmental agencies for various types of redevelopment projects. These projects may range from relatively minor projects such as rehabilitation of family dwellings up to much larger commercial redevelopment endeavors.

In the course of this activity, KCDC often assumes ownership of selected properties during the rehabilitation period, only to transfer or sell these properties in accordance with the contract with the respective local governments.

The current portion is \$317,890. The noncurrent portion is \$6,039,910, with an allowance for doubtful accounts of \$42,610, netting \$5,997,300 in the noncurrent portion.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**G - Notes and Mortgages Receivable:**

<u>Type</u>	<u>Reference</u>	<u>Current</u>	<u>Long-Term</u>	<u>Elimination*</u>	<u>Total</u>
HOPE VI Loans -					
-Passport Homes LP - a	1	\$ -	\$ 359,386	\$ (359,386)	\$ -
-Passport Homes LP - b	1	-	1,242,000	(1,242,000)	-
-Passport Residencies LP - a	2	-	489,718	(489,718)	-
-Passport Residencies LP - b	2	-	2,214,951	(2,214,951)	-
Redevelopment Loan					-
-Passport Homes LP	1	-	592,139	(592,139)	-
Capital Fund Loan					-
-Passport Residencies LP	2	-	270,510	(270,510)	-
Capital Funds Loan					-
-Eastport Development LP	3	-	100,000		100,000
ARRA Loan					-
-Eastport Development LP	3	-	4,058,273		4,058,273
KHDC Loan					-
-Eastport Development LP	3	-	128,651		128,651
Passport Dev Corp					-
-Eastport Development LP	3	-	750,000		750,000
<b>Total</b>		<b>\$ -</b>	<b>\$ 10,205,628</b>	<b>\$ (5,168,704)</b>	<b>\$ 5,036,924</b>

\*Eliminations due to the inclusion of Passport Homes LP and Passport Residences LP in Component Units

- 1. Passport Homes Limited Partnership** – KCDC entered into a mixed financing arrangement with Passport Homes L.P. (PHLP) for the rehabilitation of the University Avenue Affordable Housing Project, "Passport Homes", in the Mechanicsville Community. The notes receivable consists of \$1,242,000 in Hope VI grant proceeds, \$359,386 in McKinney funds and \$592,139 in KCDC Redevelopment funds.

The Hope VI funds were provided through HUD as a grant to KCDC.

The McKinney funds were provided through the McKinney Act Refunding Agreement with GTHAC regarding mortgage refunding bonds.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**G - Notes and Mortgages Receivable: (Continued)**

In cooperation with HUD, these funds have been loaned to PHLP, and are due 25 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of PHLP.

Interest, along with an outstanding allowance for doubtful accounts, accrues on these notes as follows:

Hope VI loan	2.00% annually
McKinney loan	5.98% annually
Redevelopment loan	2.00% annually

KCDC entered into an exit strategy with the investor limited partner and is now assigned as the limited partner in the partnership. As such, the Limited Partnership is a Component Unit of KCDC and the Notes Receivable balances totaling \$2,193,525 are therefore eliminated in the financial statements.

2. **Passport Residences Limited Partnership** – KCDC entered into a mixed financing arrangement with Passport Residences, L.P. (PRLP) for the addition of 50 public housing units as part of Passport Homes in the Mechanicsville Community in Knoxville, Tennessee. The notes receivable consists of \$2,214,951 in Hope VI grant proceeds, \$489,718 in Affordable Housing Program (AHP) Funds, and \$270,510 in KCDC's Capital Fund Program.

The Hope VI funds were provided through HUD as a grant to KCDC.

The Affordable Housing funds were provided through the FHLB as a grant to KCDC.

The Capital Funds were provided through HUD as a grant to KCDC.

In cooperation with HUD, the Hope VI funds have been loaned to PRLP, and are due 25 years after completion of the project. The FHLB funds as well as the proceeds from the Capital Funds Program that have been loaned to PRLP are due 30 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of PRLP.

Interest, along with an offsetting allowance for doubtful accounts, accrues on these notes as follows:

Hope VI loan	.25% annually
AHP FHLB loan	.25% annually
Capital Fund loan	5.23% annually

KCDC entered into an exit strategy with the investor limited partner and is now assigned as the limited partner in the partnership. As such, the Limited Partnership is a Component Unit of KCDC and the Notes Receivable balances totaling \$2,975,179 are therefore eliminated in the financial statements.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**G - Notes and Mortgages Receivable: (Continued)**

3. **Eastport Development Limited Partnership** - KCDC entered into a mixed financing arrangement with Eastport Development, L.P. (EDLP) for the addition of 60 public housing units as part of The Residences at Eastport II in the Five Points Community in Knoxville, Tennessee. The notes receivable consist of \$100,000 in KCDC's Capital Fund Program, \$4,058,273 in ARRA funds, \$128,651 in Knoxville's Housing Development Corporation (KHDC) funds, and \$750,000 in Passport Development Corporation (PDC) funds.

The Capital Funds are provided through HUD as a grant to KCDC.

The ARRA Funds are provided through HUD as a grant to KCDC.

In cooperation with HUD, the Capital and ARRA Funds are being loaned to EDLP, and are due 40 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of EDLP.

	<u>Interest Accrual Rate</u>	<u>Maturity Date</u>
Capital Funds Loan	0% annually	October 1, 2051
ARRA Funds Loan	0% annually	October 1, 2051
KHDC Loan	0% annually	October 1, 2051
Passport Development Corporation Loan	0% annually	October 1, 2051

**H - Land, Buildings and Equipment:**

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
<b>Not being depreciated:</b>					
Land	\$ 3,879,751	\$ 169,236	\$ -	\$ -	\$ 4,048,987
Construction in progress	5,889,286	3,615,392	(19,890)	(3,208,205)	6,276,583
<b>Total not being depreciated</b>	<b>9,769,037</b>	<b>3,784,628</b>	<b>(19,890)</b>	<b>(3,208,205)</b>	<b>10,325,570</b>
<b>Depreciable:</b>					
Buildings & improvements	227,110,134	8,556,449	-	3,208,205	238,874,788
Accumulated depreciation	(171,450,502)	(13,455,554)	-	-	(184,906,056)
<b>Net buildings &amp; improvements</b>	<b>55,659,632</b>	<b>(4,899,105)</b>	<b>-</b>	<b>3,208,205</b>	<b>53,968,732</b>
Equipment	1,779,333	71,134	(89,829)	-	1,760,638
Accumulated depreciation	(1,606,018)	(131,540)	85,618	-	(1,651,940)
<b>Net equipment</b>	<b>173,315</b>	<b>(60,406)</b>	<b>(4,211)</b>	<b>-</b>	<b>108,698</b>
<b>Net depreciable assets</b>	<b>55,832,947</b>	<b>(4,959,511)</b>	<b>(4,211)</b>	<b>3,208,205</b>	<b>54,077,430</b>
<b>TOTAL</b>	<b>\$ 65,601,984</b>	<b>\$ (1,174,883)</b>	<b>\$ (24,101)</b>	<b>\$ -</b>	<b>\$ 64,403,000</b>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**I - Due to Other Governments:**

City of Knoxville (PILOT)	\$ 181,757
City of Knoxville, Knox County (Property taxes)	77,647
Accounts payable, HUD	<u>9,577</u>
	<b><u>\$ 268,981</u></b>

**J - Unearned Revenues:**

Local government	\$ 47,912
Resident Funds	46,757
Prepaid Rents	67,451
Cable Provider Marketing Share Revenue	<u>395,530</u>
	<b><u>\$ 557,650</u></b>

**K - Notes and Bonds Payable:**

<u>Reference</u>	<u>Interest Expense</u>	<u>Current</u>	<u>Long-Term</u>	<u>Elimination*</u>	<u>Total Debt</u>
1	\$ 35,263	\$ 183,700	\$ 250,000	\$ -	\$ 433,700
2	44,238	101,743	1,360,005	-	1,461,748
3	502,700	984,515	9,146,880	-	10,131,395
4	337,509	1,017,643	6,176,101	-	7,193,744
5	-	-	248,699	-	248,699
6	25,159	40,850	513,398	-	554,248
7	-	-	1,242,000	(1,242,000)	-
7	-	-	359,386	(359,386)	-
7	-	-	592,139	(592,139)	-
8	-	-	2,214,951	(2,214,951)	-
8	-	-	489,718	(489,718)	-
8	-	-	270,510	(270,510)	-
	<b><u>\$ 944,869</u></b>	<b><u>\$ 2,328,451</u></b>	<b><u>\$ 22,863,787</u></b>	<b><u>\$ (5,168,704)</u></b>	<b><u>\$ 20,023,534</u></b>

\*Eliminations due to the inclusion of Passport Homes LP and Passport Residences LP in Component Units.



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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

All of the following notes and bonds payable are secured directly by real property which was financed.

1. In July 2000, KCDC issued a note to the City of Knoxville, Tennessee in the amount of \$2,540,000. Proceeds from the note were used by KCDC in its Hope VI project in the historic Mechanicsville Redevelopment Area. The note is primarily payable from and secured by a pledge of the Tax Increment Revenues. In the event of a deficiency in such Tax Increment Revenues, this note is generally payable from the Authority's income and revenues. The principal balance is payable on the second business day prior to May 1 and November 1 of each year beginning on November 1, 2000. An additional principal payment of \$150,000 was made during May 1, 2016 from excess TIF revenues. The outstanding balance as of June 30, 2016 is \$433,700. KCDC anticipates that additional principal payments may be made in 2017 and 2018 which could result in an early payoff of this note. Future projected payments based upon current amortization schedule are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 183,700	\$ 21,685
2018	193,400	12,500
2019	56,600	2,830
	<u><b>\$ 433,700</b></u>	<u><b>\$ 37,015</b></u>

2. On April 15, 2004, KCDC issued a promissory note to SunTrust Bank in the amount of \$2,470,155. The proceeds from the loan were utilized to reimburse KCDC for construction of a Head Start building in order to provide preschool education for qualified low-income eligible children. The note was paid in full in March 2010 and refinanced through SunTrust Bank in the amount of \$2,130,465 bearing interest at 3.1134% annum. The note was paid in full again in May 2015 and refinanced through SunTrust Bank in the amount of \$1,567,500 bearing interest at 2.88% annum. The note is to be paid in monthly increments of \$11,869 for a five year term ending March 15, 2020. The outstanding balance as of June 30, 2016 is \$1,461,748. Future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 101,743	\$ 40,679
2018	104,655	37,768
2019	107,709	34,713
2020	1,147,641	159,482
	<u><b>\$ 1,461,748</b></u>	<u><b>\$ 272,642</b></u>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

3. KCDC pledged a portion of its annual Capital Fund Program Grant from HUD to secure allocable portion of Bonds issued by KCDC. KCDC's net proceeds, \$22,540,000 was used to acquire, construct, equip, renovate and improve public housing developments owned and operated by KCDC for rental to be occupied by qualified tenants under the applicable HUD rules and regulations. The bonds were designated "Capital Program Revenue Bonds, Series 2004". The entire proceeds of \$22,540,000 were deposited with the Trustee (Bank of New York), which was authorized and directed to apply and disburse such monies for the purposes and in the order specified in the Master Trust Indenture. The outstanding balance as of June 30, 2016 is \$-0-. During FY 2016, KCDC received HUD approval to redeem the bonds and execute a loan agreement with Capital One Public Funding LLC.

On December 18, 2015, KCDC entered into a loan agreement with Capital One Public Funding, LLC to for payment of the remaining outstanding debt from Public Housing Capital Fund obligations. The note in the amount of \$10,131,395 bears interest at 3.10% annum for an 8.5 year term. The outstanding balance as of June 30, 2016 is \$10,131,395. During FY 2017, the amortization schedule is projected to be revised to accommodate prepayments due as a result of moving residential units out of the Public Housing Program and into the Multi-Family Program through the Rental Assistance Demonstration Project (RAD). Based on the current schedule, however, future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 984,515	\$ 317,785
2018	1,028,738	275,581
2019	1,059,741	243,449
2020	1,092,783	210,341
2021	1,123,829	176,225
2022-2025	4,841,789	333,717
	<u>\$ 10,131,395</u>	<u>\$ 1,557,098</u>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

4. On November 9, 2006, KCDC entered into a Master Equipment Lease – Purchase Agreement with National City Commercial Capital Corporation. This agreement is the financing mechanism used to fund the energy equipment replacements and renovations included in the Energy Performance Contract between KCDC and Ameresco, Inc. Energy Performance Contracting is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures. The lease payments began 22 months after the start of capital improvements, in November 2006, resulting in the first payment being made October 2008. HUD has encouraged Housing Agencies such as KCDC to participate in such Energy Performance Contracts. As a result, KCDC has an outstanding balance on this capital lease as of June 30, 2016 of \$7,193,744. The amortization schedule was revised during FY 2016 for the projected prepayment of debt for Lonsdale Homes, Mechanicsville and North Ridge Crossing. However, during FY 2017, the amortization schedule is projected to be revised again to accommodate additional prepayments due as a result of moving residential units out of the Public Housing Program and into the Multi-Family Program through the Rental Assistance Demonstration Project (RAD). Based on the current revised schedule during FY 2016, however, the capital lease is payable as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,017,643	\$ 300,956
2018	430,111	272,673
2019	450,136	252,648
2020	471,093	231,691
2021	493,026	209,757
2022-2026	2,831,580	682,338
2027-2029	1,500,155	81,108
	<u><u>\$ 7,193,744</u></u>	<u><u>\$ 2,031,171</u></u>

5. On March 31, 2008, KCDC purchased Valley Oaks Apartments, a Section 8 project based property from Knox Housing Partnership in the amount of \$63,977. As a condition of the sale, KCDC assumed a forgivable note as detailed below:

On August 29, 1994, Knox Housing Partnership purchased Valley Oaks Apartments from HUD for a cost of \$1. In exchange for this bargain purchase price, the Partnership agreed to maintain the property as rental or cooperative housing for a period of thirty years. Because of stipulations in the purchase contract, the project recorded the apartment buildings and land at their fair market value of \$497,400 less the cost of \$1 actually paid. As the HUD requirements are met for the purchase of this property at the bargain price, the Forgivable HUD Advance in the amount of \$497,399 will be reduced and a HUD contribution recognized as follows:

25% of the \$497,399 or \$124,350 on August 30, 2014

50% of the \$497,399 or \$248,699 on August 30, 2024

The outstanding balance as of June 30, 2016 was \$248,699

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**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

6. Passport Homes LP entered into a loan for mortgage financing with First Tennessee Bank for the University Avenue Affordable Housing Project, "Passport Homes" in the Mechanicsville Community. The original amount of the loan was \$1,000,000 bearing interest at 4.55% per annum with a maturity date of December 1, 2025. The outstanding balance as of June 30, 2016 is 554,248. Future projected payments are as follows

	<u>Principal</u>	<u>Interest</u>
2017	\$ 40,850	\$ 22,434
2018	46,036	22,442
2019	48,175	20,303
2020	50,413	18,065
2021	52,756	15,722
2022-2026	316,018	39,580
	<u>\$ 554,248</u>	<u>\$ 138,546</u>

KCDC entered into an exit strategy with the investor limited partner and is now assigned as the limited partner in the partnership. As such, the Limited Partnership is included as a Component Unit of KCDC

7. Passport Homes Limited Partnership – KCDC entered into a mixed financing arrangement with Passport Homes L.P. (PHLP) for the rehabilitation of the University Avenue Affordable Housing Project, "Passport Homes", in the Mechanicsville Community. The notes payable consists of \$1,242,000 in Hope VI grant proceeds, \$359,386 in McKinney funds and \$592,139 in KCDC Redevelopment funds.

The Hope VI funds were provided through HUD as a grant to KCDC.

The McKinney funds were provided through the McKinney Act Refunding Agreement with GTHAC regarding mortgage refunding bonds.

In cooperation with HUD, these funds have been loaned to PHLP, and are due 25 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of PHLP.

Interest, along with an outstanding allowance for doubtful accounts, accrues on these notes as follows:

Hope VI loan	2.00% annually
McKinney loan	5.98% annually
Redevelopment loan	2.00% annually

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

7. Passport Homes Limited Partnership (Continued)

KCDC entered into an exit strategy with the investor limited partner and is now assigned as the limited partner in the partnership. As such, the Limited Partnership is a Component Unit of KCDC and the Notes Payable balances totaling \$2,193,525 are therefore eliminated in the financial statements

8. Passport Residences Limited Partnership – KCDC entered into a mixed financing arrangement with Passport Residences, L.P. (PRLP) for the addition of 50 public housing units as part of Passport Homes in the Mechanicsville Community in Knoxville, Tennessee. The notes payable consists of \$2,214,951 in Hope VI grant proceeds, \$489,718 in Affordable Housing Program (AHP) Funds, and \$270,510 in KCDC's Capital Fund Program.

The Hope VI funds were provided through HUD as a grant to KCDC.

The Affordable Housing funds were provided through the FHLB as a grant to KCDC.

The Capital Funds were provided through HUD as a grant to KCDC.

In cooperation with HUD, the Hope VI funds have been loaned to PRLP, and are due 25 years after completion of the project. The FHLB funds as well as the proceeds from the Capital Funds Program that have been loaned to PRLP are due 30 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of PRLP.

Interest, along with an offsetting allowance for doubtful accounts, accrues on these notes as follows:

Hope VI loan	.25% annually
AHP FHLB loan	.25% annually
Capital Fund loan	5.23% annually

KCDC entered into an exit strategy with the investor limited partner and is now assigned as the limited partner in the partnership. As such, the Limited Partnership is a Component Unit of KCDC and the Notes Payable balances totaling \$2,975,179 are eliminated in the financial statements.

9. Additional Related Party Transactions:

On April 29, 2016, KHDC, a KCDC Component Unit Subsidiary, issued a note to Five Points 1 LP through its General Partner, Five Points 1 Corporation, a KCDC Component Unit Subsidiary, in the amount of \$3,234,640. The proceeds from the note are to be used as construction funding for the building of a 90 elderly unit complex in the Five Points Community known as the Five Point Senior Building. The principal balance of the note bears interest at 2.5% per annum with maturity on the earlier of May 1, 2018 or the last day of the month during which a Certificate of Occupancy for the Project is issued (estimated to be June 2017). The outstanding notes payable and receivable balance, adjusted in Component Units, as of June 30, 2016 is \$1,336,734.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

10. The Housing Authority as the Redevelopment agency for the City of Knoxville has entered into tax increment financing agreements between various developers and various financial institutions to help developers secure financing within the redevelopment area. The debt is non- recourse debt to KCDC. These agreements are designed to give developers an incentive to redevelop vacant downtown property. The tax increment financing agreement is between KCDC, the developer, and the financial institution. The property tax payments as well as the equity in the property are used as collateral as well as the developer's personal guarantee on the loan. The following tax increment financing agreements have been issued by KCDC.

**Tax Increment Financing Summary**

<b>Redevelopment Area and Project</b>	<b>Location</b>	<b>Principal(s)</b>	<b>TIF Note Approval Date</b>	<b>TIF Amount</b>	<b>June 30 Balance Project</b>	<b>Estimated Project Total</b>
1. Jackson / Depot (Fire Street Lofts)	214 Jackson Avenue	David Dewhirst 214 Jackson, LLC	02-17-05	\$1,100,000	\$438,155	\$6,400,000
2. Jackson / Depot (Commerce Building)	122-126 Gay Street	ELOC Dev. One, LLC William Cole Smith, Jr.	01-20-06	\$735,000	\$253,964	\$6,100,000
3. Gay Street (Burwell Bldg)	602 S. Gay Street	Cardinal Investment Properties, LLC Brian Conley	03-08-06	\$855,795.94	\$406,507	\$7,450,000
4. Gay Street (Charter Federal Building/Holston Bldg)	123 S. Gay Street	HNB Development, LLC Thomas Grace & Dewhirst	09-30-10	\$1,600,000	\$975,500	\$13,725,000
5. World's Fair Park (Candy Factory & Victorian Houses)	Clinch & 11 <sup>th</sup> Street	Kinsey, Probasco, Hays	03-31-06	\$1,600,000	\$642,641	\$13,407,000
6. Old Knoxville Glove Factory (Citiview @ Riverwalk)	445 W. Blount Ave.	Camden Mgm't Inc. & Focus Development, Inc John Gumpert & Brad Johnson	09-21-06	\$2,800,000	\$1,309,833	\$27,550,330

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

Redevelopment Area and Project	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance Project	Estimated Project Total
7. Gay Street (Mast General Store -Top 3 floors)	402 Gay Street	Gay Street Development Partners, LLC John Craig, Wayne Balsius & Faris Eid	08-03-07	\$1,441,802	\$858,446	\$6,401,000
8. Gay Street (Crimson Building)	302 S. Gay Street	Crimson Inferno, LLC Jeffery Nash, Buzz Gross	06-20-07	\$350,000	\$193,035	\$4,912,572
9. Downtown North/I-275 (Greystone Building /North Central Village)	912 N. Central Avenue	North Central Village, LLC Jeffrey Nash	06-26-07	\$200,000	\$31,297	\$2,031,639
10. Jackson / Depot (JFG Warehouse)	129 W. Jackson Avenue	Testerman, Testerman & Buckner, LLC Building Project Kyle Testerman	11-30-10	\$240,000	\$109,311	\$4,174,256
11. Brownlow (Brownlow School)	1305 Luttrell	KP Jon Kinsey	09-12-08	\$542,284.33	\$325,530	\$5,450,000
12. Jackson/Depot (JFG Lofts)	200-202 W. Jackson Avenue	Dewhirst Properties David Dewhirst	04-14-08	\$810,000	\$331,046	\$7,560,000
13. Jackson/Depot (SE Glass Building)	100 N. Broadway	Conversion Properties Joe Petre	05-27-09	\$460,123	\$296,079	\$4,103,976
14. Gay Street (500 Block)	516-524 Gay Street	500 Block LLC John Craig	09-12-08	\$812,500	\$529,574	\$4,908,189
15. South Waterfront (South Waterfront)	Langford Avenue	City of Knoxville KCDC	12-31-08	\$12,000,000	\$11,021,559	\$139,000,000

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

Redevelopment Area and Project	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance Project	Estimated Project Total
16. Downtown North/I-275 (Fifth Avenue Condos)	605,607 King Street 201,209 W.5 <sup>th</sup> Ave.	Svend Brooks, Tim Wesley, Earl Worsham	11-13-09	\$356,000	\$248,476	\$3,734,762
17. Central Bus. Dist. West (Daylight Building)	501 Union Avenue	David Dewhirst Mark Heinz	10-01-09	\$959,000	\$810,219	\$6,745,000
18. Northside Waterfront (The Landings)	710 East Hill Ave.	Aaron White Hunter Connelly	02-17-10	\$1,500,000	\$1,270,337	\$28,240,321
19. Jackson/Depot (Harold's Building)	131 S. Gay Street	John W. Craig Timothy Hill Michael Hatcher	04-15-10	\$129,000	\$81,739	\$847,866
20. Market Square (Arnstein Building)	501 Market Street	David Dewhirst Mark Heinz Tim Zitzman Albert Ritchie Chuck Griffin Kelly Headen	12-20-11	\$1,145,000	\$674,282	\$8,515,000
21. University Commons (University Commons)	Kingston Pike	Jim Harrison Bud Cullom	12-21-12	\$10,000,000	\$9,582,534	\$62,000,000
22. Northside Waterfront (The Landings, Phase II)	930 Riverside Forest Way	Aaron White Hunter Connelly	12-31-12	\$715,000	\$691,628	See No. 18
23. Gay Street (JC Penney Building)	412, 414 and 416 S. Gay Street	Timothy Hill Michael Hatcher David Dewhirst Mark Heinz	11-14-13	\$1,150,000	\$1,150,000	\$7,361,000



**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**K - Notes and Bonds Payable: (Continued)**

Redevelopment Area and Project	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance Project	Estimated Project Total
24. Jackson/Depot (Magnolia Urban Village)	110 Magnolia Avenue 319 N. Central Street	The Courtland Group, LLC Jeffrey Nash	08-04-14	\$225,000	\$215,236	\$2,100,000
25. Magnolia Avenue Warehouse District (Next Step Development Project)	120 and 122 S. Central Street	Next Step Development LLC Daniel Smith	12-01-15	\$539,000	\$539,000	\$4,792,939
26. Jackson Depot (The Courtland Group Development Project-MEWS II)	202 Magnolia Avenue 317 Ogden	The Courtland Group, LLC Jeffrey Nash	06-23-16	\$350,000	\$350,000	\$3,480,000
27. Gay Street (DRT Properties Development Project)	620 and 626 S. Gay Street	DRT Properties, LLC Dooley and Charles Tombras	06-30-16	1,650,000	\$1,650,000	\$9,700,000

KCDC capitalizes interest cost incurred on funds used to construct or renovate structures. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. There was \$3,881 in interest cost capitalized in 2016.

**L - Other Liabilities:**

	<u><b>Current</b></u>	<u><b>Noncurrent</b></u>
FSS escrows	\$ 45,549	\$ 28,638
Contract retainage	2,383	-
Tenant refunds	911	-
Escheat property	16	-
	<u><b>\$ 48,859</b></u>	<u><b>\$ 28,638</b></u>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**M - Accrued Liabilities**

Contractors	\$ 461,038
Audit	9,000
Capital lease fee	69,672
Accrued utilities	131,327
Other accrued expenses	<u>23,708</u>
	<b><u>\$ 694,745</u></b>

**N - Schedule of Changes in Noncurrent Liabilities:**

	June 30, 2015		Year Ended June 30, 2016		June 30, 2016	
	Noncurrent Portion	Current Portion	Additions	Payments	Current Portion	Noncurrent Portion
Notes and bonds payable	\$ 22,422,205	\$ 1,838,005	\$ 10,685,643	\$ (14,922,319)	\$ 2,328,451	\$ 17,695,083
Accrued compensated absences	1,263,250	791,447	329,834	195,461	1,043,613	1,536,379
FSS Escrows	47,698	35,833	43,474	(52,818)	45,549	28,638
	<u>\$ 23,733,153</u>	<u>\$ 2,665,285</u>	<u>\$ 11,058,951</u>	<u>\$ (14,779,676)</u>	<u>\$ 3,417,613</u>	<u>\$ 19,260,100</u>

**O - Annual Contributions by Federal Agencies**

**Annual Contributions Contract A-2571** – Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy for low-rent public housing. The operating subsidy contributions for the year ended June 30, 2016 were \$14,710,448. HUD also contributed additional funds through the Capital fund for modernization and operations in the amount of \$5,579,098.

**Annual Contributions Contract A-3159** – Annual Contributions Contract A-3159 for Section 8 programs provides for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. KCDC is also eligible to receive reimbursement for preliminary expenses prior to lease up.

**Annual Contributions Contract A-3159 (Continued)**

HUD contributions for the year ended June 30, 2016 were as follows:

Housing Choice Voucher Cluster	\$ 22,308,678
Mainstream Voucher Program	<u>523,886</u>
	<b><u>\$ 22,832,564</u></b>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

- P - Defined Contribution Pension Plan:** KCDC provides pension benefits for all its full-time employees through a defined contribution plan entitled "Housing Authority Retirement Trust (HART)". The plan is administered by ADP. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The HART Trustees are authorized to establish and amend plan benefits. Employees are eligible to participate six months after the date of employment. KCDC contributes approximately 12.8% of the employee's base salary each month for employees hired prior to November 1, 2006. For employees hired after October 31, 2006 the employer contribution is 8.8%, while the employee has no required contribution. KCDC's contributions for each employee (and interest allocated to the employee's account) are fully vested after 7 years of continuous service. KCDC contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce KCDC's current-period contribution requirement.

KCDC's total payroll in fiscal year 2016 was \$7,341,445. Payroll covered by the pension plan was \$6,843,554. KCDC made the required contributions amounting to \$820,205, and employees made elective contributions of \$5,939.

- Q - Post-Employment Health Plan Benefits:** KCDC provides for the accumulation of tax-free monies to be used for health-related costs in a benefit plan known as the "Post Employment Health Plan" administered by Nationwide. The Plan is an agent multiple-employer defined benefit OPEB plan.

KCDC contributes a fixed amount of \$15 per month to each participating employee's universal PEHP account. All regular, full-time employees are enrolled in the plan on the first day of the month following completion of three years of service. Benefits and options are outlined in literature made public by Nationwide, or may be accessed on-line at [www.nrsforu.com](http://www.nrsforu.com). Contributions to the PEHP are determined by the Board of Commissioners of KCDC. PEHP benefits available to KCDC employees are established and amended by the PEHP trustees.

KCDC funds the program in a fixed amount per month per participant, and has net all financial obligations of the PEHP. Additionally, KCDC has accrued a liability for PEHP which relate to sick leave conversions which may become available in the future.

The employees do not contribute to this plan.

- R - Economic Dependency:** KCDC receives approximately 86% of its revenue from HUD. If the amount of revenues received from HUD falls below critical levels, KCDC's reserves could be adversely affected.

**S - Contingencies:**

1. KCDC is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to KCDC in the current and prior years. There were no such examinations for the year ended June 30, 2016.
2. KCDC is a defendant in various lawsuits and has retained outside counsel to vigorously defend such litigation. The outcome of these cases is currently indeterminable and, therefore, management believes that it is unlikely that resolution of these matters will have a material adverse effect on the financial condition of KCDC.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

- T - Conduit Type Debt:** Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of KCDC. Accordingly, this debt has not been recorded in the basic financial statements of KCDC. Additionally, HUD no longer provides debt service information to KCDC.
- U - Commitments:** KCDC is engaged in modernization programs funded by HUD and other sources. In this regard, KCDC has entered into construction-type contracts with approximately \$8,312,309 remaining until completion.
- V - Leasing Activities (as Lessor):** KCDC is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. KCDC may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

- W - Interprogram Transfers:** KCDC will make cash transfers to and between its various programs as outlined in the Federal Regulations and authorized and approved by KCDC's Board of Commissioners. All these programs are part of the Enterprise Fund, therefore there are no interfund transfers.
- X - Other Leases:** KCDC has entered into a 55-year ground lease with Passport Homes, L.P. and a 99-year ground lease with Passport Residences, L.P. for the development of HOPE VI housing. KCDC has also entered into a ground lease with Eastport Development LP for the development of a low income housing project.
- Y - Subsequent Events:** Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through opinion date and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**Z - Schedule of Changes in Net Position:**

	Net Investment in Capital Assets	Restricted Net Assets	Unrestricted Net Assets	Total
<b>Balance - beginning of year</b>	<b>\$ 41,341,774</b>	<b>\$ 32,731</b>	<b>\$ 52,120,586</b>	<b>\$ 93,495,091</b>
Adjustments to restate beginning balance	(689,608)	-	(1,068,051)	(1,757,659)
<b>Balance - beginning of year, restated</b>	<b>40,652,166</b>	<b>32,731</b>	<b>51,052,535</b>	<b>91,737,432</b>
Decrease in unrestricted net assets	-	-	(7,910,019)	(7,910,019)
Increase in restricted net assets	-	(28,064)	-	(28,064)
Increase in investment in capital assets	3,727,300	-	-	3,727,300
<b>Balance - end of year</b>	<b>\$ 44,379,466</b>	<b>\$ 4,667</b>	<b>\$ 43,142,516</b>	<b>\$ 87,526,649</b>
<b>Adjustments to restate beginning balance</b>				
Passport Homes and Passport Residences LP included as blended component unit	\$ (689,608)	\$ -	\$ (1,068,051)	\$ (1,757,659)
<b>Net adjustments to restate beginning balance</b>	<b>\$ (689,608)</b>	<b>\$ -</b>	<b>\$ (1,068,051)</b>	<b>\$ (1,757,659)</b>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**AA - Condensed Statement - Component Units:** As per GASB 61, the condensed combining information is provided on the component unit:

	<u>Knoxville Community Development Corporation</u>	<u>Passport Homes, L.P.</u>	<u>Knoxville Housing Development Corporation</u>	<u>Passport Development Corporation</u>	<u>Five Points Corporation</u>	<u>Family Investment Foundation, Inc.</u>	<u>Total</u>
<b>Condensed Statement of Net Position</b>							
Current Assets	\$ 30,298,429	\$ 294,345	\$ 6,324,010	\$ 471,335	\$ 456,810	\$ 23,049	\$ 37,867,978
Capital Assets	55,628,956	5,033,344	2,208,093	-	1,532,607	-	64,403,000
Other Assets	10,155,573	-	128,651	763,142	-	-	11,047,366
<b>Total Assets</b>	<b>96,082,958</b>	<b>5,327,689</b>	<b>8,660,754</b>	<b>1,234,477</b>	<b>1,989,417</b>	<b>23,049</b>	<b>113,318,344</b>
Current Liabilities	4,668,304	1,111,942	294,539	-	456,810	-	6,531,595
Noncurrent Liabilities	11,967,831	5,682,263	1,610,006	-	-	-	19,260,100
<b>Total Liabilities</b>	<b>16,636,135</b>	<b>6,794,205</b>	<b>1,904,545</b>	<b>-</b>	<b>456,810</b>	<b>-</b>	<b>25,791,695</b>
<b>Net Position</b>							
Net Investment in Capital Assets	43,223,822	(689,608)	312,645	-	1,532,607	-	44,379,466
Restricted	4,667	-	-	-	-	-	4,667
Unrestricted	36,218,334	(1,211,456)	7,780,300	1,669,023	(1,336,734)	23,049	43,142,516
<b>Total Net Position</b>	<b>\$ 79,446,823</b>	<b>\$ (1,901,064)</b>	<b>\$ 8,092,945</b>	<b>\$ 1,669,023</b>	<b>\$ 195,873</b>	<b>\$ 23,049</b>	<b>\$ 87,526,649</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>							
Operating Revenues	\$ 45,177,152	\$ 197,727	\$ 585,782	\$ -	\$ 195,873	\$ -	\$ 46,156,534
Operating Expenses							
Operating Expense-Other	42,939,818	210,949	189,496	69	-	22	43,340,354
Amortization							
Depreciation Expense	9,764,141	101,639	104,244	-	-	-	9,970,024
<b>Total Operating Expenses</b>	<b>52,703,959</b>	<b>312,588</b>	<b>293,740</b>	<b>69</b>	<b>-</b>	<b>22</b>	<b>53,310,378</b>
Nonoperating Revenue (Expense)							
Nonoperating Revenue-Other	298,576	2,163	46,349	4,023	-	7	351,118
Nonoperating Expense-Other	(931,170)	(30,707)	(79,501)	-	-	-	(1,041,378)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(632,594)</b>	<b>(28,544)</b>	<b>(33,152)</b>	<b>4,023</b>	<b>-</b>	<b>7</b>	<b>(690,260)</b>
Transfers, Capital Contributions and Extraordinary Items	3,633,320	-	-	-	-	-	3,633,320
<b>Change in Net Position</b>	<b>(4,526,081)</b>	<b>(143,405)</b>	<b>258,890</b>	<b>3,954</b>	<b>195,873</b>	<b>(15)</b>	<b>(4,210,784)</b>
Net Position, beginning of year	83,972,904	(1,757,659)	7,834,055	1,665,069	-	23,064	91,737,433
<b>Net Position, end of year</b>	<b>\$ 79,446,823</b>	<b>\$ (1,901,064)</b>	<b>\$ 8,092,945</b>	<b>\$ 1,669,023</b>	<b>\$ 195,873</b>	<b>\$ 23,049</b>	<b>\$ 87,526,649</b>

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(Continued)**

**AA - Condensed Statement - Component Units:**

	<u>Knoxville Community Development Corporation</u>	<u>Passport Homes, L.P.</u>	<u>Knoxville Housing Development Corporation</u>	<u>Passport Development Corporation</u>	<u>Five Points Corporation</u>	<u>Family Investment Foundation, Inc.</u>	<u>Total</u>
<b>Condensed Statement of Cash Flows</b>							
Net Cash Flows from (used) Operating Activities	\$ 2,919,245	\$ (807,251)	\$ (698,978)	\$ 122,569	\$ 1,863,404	\$ (22)	\$ 3,398,967
Net Cash provided(used) by Capital and Related Financing Activities	(7,974,271)	1,092,855	(1,057,136)	(122,407)	(1,406,594)	-	(9,467,553)
Net Cash provided(used) by Investing Activities	<u>10,063,472</u>	<u>1,753</u>	<u>1,515,545</u>	<u>(162)</u>	<u>-</u>	<u>7</u>	<u>11,580,615</u>
Net increase in Cash and Cash Equivalents	5,008,446	287,357	(240,569)	-	456,810	(15)	5,512,029
Cash-Beginning of year	<u>12,331,604</u>	<u>-</u>	<u>2,775,563</u>	<u>-</u>	<u>-</u>	<u>23,064</u>	<u>15,130,231</u>
Cash-End of year	<u><u>\$ 17,340,050</u></u>	<u><u>\$ 287,357</u></u>	<u><u>\$ 2,534,994</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 456,810</u></u>	<u><u>\$ 23,049</u></u>	<u><u>\$ 20,642,260</u></u>

**AB - Decrease in Net Position:** The decrease in net position is expected to be absorbed through operations in subsequent fiscal years, assisted by transfers from various programs. No fund deficit is expected as a result of the current year loss.

**AC - Extraordinary Items:** In the current year, KCDC engaged in a transaction directed by local government and outside management control that is unusual in nature. This transaction related to assets held for conveyance which occurred in the State/Local Program for a net loss of (\$548,810).

## **SUPPLEMENTAL INFORMATION**



KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION  
Knoxville, Tennessee

COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2016

	Low Rent Public Housing Program	PIH Family Self-Sufficiency Program	Community Grants/Entitlement Grants		Section 8 Housing Choice Voucher Program	Mainstream Voucher Program	Blended Component Units	State & Local Programs	Other Business Activities	Section 8 Housing Assistance Payments	Section 8 Program-Moderate	Lower Income Housing Assistance Program-Moderate	Central Office Cost Center	Eliminations	Total 2015
			Program	Entitlement Grants											
<b>ASSETS</b>															
<b>Current assets</b>															
Cash and cash equivalents, unrestricted	\$ 10,594,761	\$ -	\$ -	\$ -	\$ 375,562	\$ 24,625	\$ 3,276,922	\$ 62,245	\$ 150,237	\$ -	\$ 104,602	\$ -	\$ 4,191,384	\$ -	\$ 18,780,338
Cash and cash equivalents, restricted	737,322	-	-	-	78,854	-	25,286	-	-	1,020,458	-	-	-	-	1,861,920
Investments, unrestricted	8,339,936	-	-	-	223,880	24,671	4,032,618	26,553	70,114	378,098	91,294	-	2,628,978	-	13,816,142
Investments, restricted	135,314	-	-	-	2,176	-	-	-	-	-	-	-	-	-	137,490
Accrued interest receivable	15,103	-	-	-	410	45	11,184	48	127	685	166	-	5,178	-	32,946
Accounts receivable, net of allowance	71,871	-	-	-	16,451	-	3,194	250	-	1,691	135	-	2,066	-	95,658
Due from other governments	228,970	-	-	-	1,403	3,651	215,770	82,822	-	-	9,491	-	2,807	-	544,914
Inventories, net of allowance for obsolescence of \$1,328	23,072	-	-	-	-	-	-	-	-	1,237	-	-	40,776	-	65,085
Prepaid items	156,043	-	-	-	11,555	-	4,575	687	46	21,020	-	-	21,669	-	215,595
Assets held for sale or conveyance	-	-	-	-	-	-	-	317,890	-	-	-	-	-	-	317,890
<b>Total current assets</b>	<b>20,302,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>710,291</b>	<b>52,992</b>	<b>7,569,549</b>	<b>490,495</b>	<b>220,524</b>	<b>1,423,189</b>	<b>205,688</b>	<b>-</b>	<b>6,892,858</b>	<b>-</b>	<b>37,867,978</b>
<b>Noncurrent assets</b>															
<b>Other assets</b>															
Notes and mortgages receivable	8,734,838	-	-	-	-	-	878,651	592,139	-	-	-	-	-	(5,168,704)	5,036,924
Investments in joint ventures	-	-	-	-	-	-	13,142	-	-	-	-	-	-	-	13,142
<b>Total other assets</b>	<b>8,734,838</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>891,793</b>	<b>592,139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,168,704)</b>	<b>5,050,066</b>
<b>Capital assets</b>															
Not being depreciated	7,219,403	-	-	-	-	-	2,337,143	214,400	-	554,624	-	-	-	-	10,325,570
Depreciable, net	45,390,436	-	-	-	-	-	6,436,901	-	-	2,220,543	-	-	29,550	-	54,077,430
<b>Total capital assets, net</b>	<b>52,609,839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,774,044</b>	<b>214,400</b>	<b>-</b>	<b>2,775,167</b>	<b>-</b>	<b>-</b>	<b>29,550</b>	<b>-</b>	<b>64,403,000</b>
<b>Other noncurrent assets</b>															
Assets held for sale or conveyance	-	-	-	-	-	-	-	5,997,300	-	-	-	-	-	-	5,997,300
<b>Total other noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,997,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,997,300</b>
<b>Total noncurrent assets</b>	<b>61,344,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,665,837</b>	<b>6,803,839</b>	<b>-</b>	<b>2,775,167</b>	<b>-</b>	<b>-</b>	<b>29,550</b>	<b>(5,168,704)</b>	<b>75,450,366</b>
<b>Total assets</b>	<b>81,647,069</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>710,291</b>	<b>52,992</b>	<b>17,235,386</b>	<b>7,294,334</b>	<b>220,524</b>	<b>4,198,356</b>	<b>205,688</b>	<b>-</b>	<b>6,922,408</b>	<b>(5,168,704)</b>	<b>113,318,344</b>
Deferred outflow of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets and deferred outflow of resources</b>	<b>81,647,069</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>710,291</b>	<b>52,992</b>	<b>17,235,386</b>	<b>7,294,334</b>	<b>220,524</b>	<b>4,198,356</b>	<b>205,688</b>	<b>-</b>	<b>6,922,408</b>	<b>(5,168,704)</b>	<b>113,318,344</b>

<b>LIABILITIES</b>													
<b>Current liabilities</b>													
Vendors and contractors payable	24,769	-	-	1,003	-	18,351	6,454	6,402	45,430	-	22,674	-	125,083
Accrued wages/taxes payable	115,050	-	-	17,107	-	1,709	845	2,177	6,928	-	73,091	-	216,907
Accrued compensated absences	379,676	-	-	38,165	-	66	7,196	17,591	33,717	-	567,202	-	1,043,613
Accrued interest payable	187,510	-	-	-	-	945,083	-	-	-	-	-	-	1,132,593
Resident security deposits	85,133	-	-	-	-	23,286	-	-	4,294	-	-	-	114,713
Due to other governments	181,757	-	-	-	-	77,647	-	-	-	9,577	-	-	268,981
Unearned revenues	466,498	-	-	-	-	10,081	47,913	-	33,158	-	-	-	557,650
Notes and bonds payable	2,002,157	-	-	-	-	326,294	-	-	-	-	-	-	2,328,451
Other current liabilities	911	-	-	45,549	-	-	-	16	2,383	-	-	-	48,859
Accrued liabilities	204,982	-	-	1,504	-	458,774	90	871	8,344	-	20,180	-	694,745
<b>Total current liabilities</b>	<b>3,648,443</b>	<b>-</b>	<b>-</b>	<b>103,328</b>	<b>-</b>	<b>1,863,291</b>	<b>62,498</b>	<b>27,057</b>	<b>134,254</b>	<b>9,577</b>	<b>683,147</b>	<b>-</b>	<b>6,531,595</b>
<b>Noncurrent liabilities</b>													
Notes and bonds payable	15,571,681	-	-	-	-	7,292,106	-	-	-	-	-	(5,168,704)	17,695,083
Accrued compensated absences	738,129	-	-	92,745	-	163	17,573	42,858	82,383	-	562,528	-	1,536,379
FSS escrows	-	-	-	28,638	-	-	-	-	-	-	-	-	28,638
<b>Total noncurrent liabilities</b>	<b>16,309,810</b>	<b>-</b>	<b>-</b>	<b>121,383</b>	<b>-</b>	<b>7,292,269</b>	<b>17,573</b>	<b>42,858</b>	<b>82,383</b>	<b>-</b>	<b>562,528</b>	<b>(5,168,704)</b>	<b>19,260,100</b>
<b>Total liabilities</b>	<b>19,958,253</b>	<b>-</b>	<b>-</b>	<b>224,711</b>	<b>-</b>	<b>9,155,560</b>	<b>80,071</b>	<b>69,915</b>	<b>216,637</b>	<b>9,577</b>	<b>1,245,675</b>	<b>(5,168,704)</b>	<b>25,791,695</b>
<b>Deferred inflow of resources</b>													
<b>Total liabilities and deferred inflow of resources</b>	<b>19,958,253</b>	<b>-</b>	<b>-</b>	<b>224,711</b>	<b>-</b>	<b>9,155,560</b>	<b>80,071</b>	<b>69,915</b>	<b>216,637</b>	<b>9,577</b>	<b>1,245,675</b>	<b>(5,168,704)</b>	<b>25,791,695</b>
<b>NET POSITION</b>													
Net investment in capital assets	35,036,001	-	-	-	-	1,155,644	214,400	-	2,775,167	-	29,550	5,168,704	44,379,466
Restricted	-	-	-	4,667	-	-	-	-	-	-	-	-	4,667
Unrestricted	26,652,815	-	-	480,913	52,992	6,924,182	6,999,863	150,609	1,206,552	196,111	5,647,183	(5,168,704)	43,142,516
<b>Total net position</b>	<b>\$ 61,688,816</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,580</b>	<b>\$ 52,992</b>	<b>\$ 8,079,826</b>	<b>\$ 7,214,263</b>	<b>\$ 150,609</b>	<b>\$ 3,981,719</b>	<b>\$ 196,111</b>	<b>\$ 5,676,733</b>	<b>\$ -</b>	<b>\$ 87,526,649</b>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION  
Knoxville, Tennessee

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	Low Rent Public Housing Program	PIH Family Self-Sufficiency Program	Community Grants/Entitlement Grants	Section 8 Housing Choice Voucher Program	Mainstream Voucher Program	Blended Component Units	State & Local Programs	Other Business Activities	Section 8 Housing Assistance Payments Program- Special Allocations	Lower Income Housing Assistance Program- Moderate	Section 8 Central Office Cost Center	Eliminations	Total 2015
<b>Operating revenues</b>													
Rental revenue, net of bad debt expense of \$340,987	\$ 4,846,357	\$ -	\$ -	\$ -	\$ -	\$ 47,215	\$ -	\$ -	\$ 43,865	\$ -	\$ -	\$ -	\$ 4,937,437
Fee revenue	-	-	-	-	-	-	-	-	-	-	4,314,933	(4,314,933)	-
HUD grants	16,107,416	69,824	-	22,308,678	523,886	-	-	-	-	513,068	-	-	39,522,872
Other governmental grants	-	-	94,963	-	-	-	-	-	-	-	-	-	94,963
Other revenue	418,652	-	-	4,164	-	932,167	133,292	253,486	8,684	87	288,248	(437,518)	1,601,262
<b>Total operating revenues</b>	<b>21,372,425</b>	<b>69,824</b>	<b>94,963</b>	<b>22,312,842</b>	<b>523,886</b>	<b>979,382</b>	<b>133,292</b>	<b>253,486</b>	<b>52,549</b>	<b>513,155</b>	<b>4,603,181</b>	<b>(4,752,451)</b>	<b>46,156,534</b>
<b>Operating expenses</b>													
Administrative	6,562,233	-	-	1,721,774	57,518	262,997	123,931	6,212	81,299	59,958	3,414,907	(3,270,604)	9,020,225
Asset management fee	417,090	-	-	-	-	-	-	-	-	-	-	(417,090)	-
Tenant services	396,866	69,824	-	31,493	-	64	-	264,265	2,655	-	-	-	765,167
Utilities	3,379,774	-	-	-	-	704	1,418	-	49,863	-	66,356	-	3,498,115
Ordinary maintenance & operation	5,973,407	-	-	3,384	-	129,001	1,877	433	96,614	-	626,657	(701,666)	6,129,707
Protective services	602,412	-	-	-	-	-	-	-	-	-	-	-	602,412
Insurance	420,396	-	-	22,403	-	5,564	1,068	342	5,992	-	39,194	-	494,959
General expenses	1,219,967	-	-	156,003	-	2,205	29,364	9,185	8,867	-	512,828	(298,391)	1,640,028
Housing assistance payments	-	-	-	20,352,930	449,274	-	-	-	8,867	452,236	-	(64,700)	21,189,740
Depreciation	9,439,871	-	-	-	-	205,883	-	-	295,990	-	28,280	-	9,970,024
<b>Total operating expenses</b>	<b>28,412,016</b>	<b>69,824</b>	<b>-</b>	<b>22,287,987</b>	<b>506,792</b>	<b>606,418</b>	<b>157,658</b>	<b>280,437</b>	<b>541,280</b>	<b>512,194</b>	<b>4,688,222</b>	<b>(4,752,451)</b>	<b>53,310,377</b>
<b>Operating income (loss)</b>	<b>(7,039,591)</b>	<b>-</b>	<b>94,963</b>	<b>24,855</b>	<b>17,094</b>	<b>372,964</b>	<b>(24,366)</b>	<b>(26,951)</b>	<b>(488,731)</b>	<b>961</b>	<b>(85,041)</b>	<b>-</b>	<b>(7,153,843)</b>
<b>Nonoperating revenues (expenses)</b>													
Interest revenue, unrestricted	90,486	-	-	1,777	96	52,134	63	935	707	1,279	31,116	-	178,593
Interest revenue, restricted	475	-	-	-	-	-	-	-	1	-	-	-	476
Interest expense	(840,210)	-	-	-	-	(110,208)	-	-	-	-	-	-	(950,418)
Fraud recovery	40,177	-	-	128,982	532	408	-	-	-	83	-	-	170,182
Other expense	(88,269)	-	-	-	-	-	-	-	-	-	-	-	(88,269)
Gain on sale of capital assets	(2,691)	-	-	-	-	-	1,828	-	-	-	39	-	(824)
<b>Total nonoperating revenues income (loss) before contributions and transfers</b>	<b>(800,032)</b>	<b>-</b>	<b>-</b>	<b>130,759</b>	<b>628</b>	<b>(57,666)</b>	<b>1,891</b>	<b>935</b>	<b>708</b>	<b>1,362</b>	<b>31,155</b>	<b>-</b>	<b>(690,260)</b>
<b>Capital contributions</b>	<b>(7,839,623)</b>	<b>-</b>	<b>94,963</b>	<b>155,614</b>	<b>17,722</b>	<b>315,298</b>	<b>(22,475)</b>	<b>(26,016)</b>	<b>(488,023)</b>	<b>2,323</b>	<b>(53,886)</b>	<b>-</b>	<b>(7,844,103)</b>
<b>Transfers from (to) other programs</b>	<b>4,182,130</b>	<b>-</b>	<b>(94,963)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,469,742</b>	<b>-</b>	<b>(167,077)</b>	<b>-</b>	<b>4,182,130</b>
<b>Extraordinary items, net gain/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(548,810)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(548,810)</b>
<b>Increase (decrease) in net position</b>	<b>(8,032,272)</b>	<b>-</b>	<b>-</b>	<b>155,614</b>	<b>17,722</b>	<b>482,375</b>	<b>(571,285)</b>	<b>(26,016)</b>	<b>3,981,719</b>	<b>2,323</b>	<b>(220,963)</b>	<b>-</b>	<b>(4,210,783)</b>
<b>Net position, beginning of year, restated (see Note Z)</b>	<b>69,721,088</b>	<b>-</b>	<b>-</b>	<b>329,966</b>	<b>35,270</b>	<b>7,507,451</b>	<b>7,785,548</b>	<b>176,625</b>	<b>-</b>	<b>193,788</b>	<b>5,897,696</b>	<b>-</b>	<b>91,374,432</b>
<b>Net position, end of year</b>	<b>\$ 61,688,816</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,580</b>	<b>\$ 52,992</b>	<b>\$ 8,079,826</b>	<b>\$ 7,214,263</b>	<b>\$ 150,609</b>	<b>\$ 3,981,719</b>	<b>\$ 196,111</b>	<b>\$ 5,676,733</b>	<b>\$ -</b>	<b>\$ 87,526,649</b>



160 Total Capital Assets, Net of Accumulated Depreciation	\$52,609,839	\$0	\$0	\$0	\$0	\$6,774,044	\$214,400	\$0	\$2,775,167	\$0	\$29,350	\$64,403,000	\$0	\$94,403,000
171 Notes, Loans and Mortgages Receivable - Non-Current	\$8,734,838					\$878,851	\$592,139			\$0	\$0	\$10,205,628	-\$5,168,704	\$5,036,924
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										\$0	\$0	\$0		\$0
173 Grants Receivable - Non Current										\$0				
174 Other Assets							\$5,997,300			\$0	\$0	\$5,997,300		\$5,997,300
176 Investments in Joint Ventures						\$13,142				\$0	\$0	\$13,142		\$13,142
180 Total Non-Current Assets	\$61,344,677	\$0	\$0	\$0	\$0	\$9,665,837	\$6,803,839	\$0	\$2,775,167	\$0	\$28,550	\$80,619,070	-\$5,168,704	\$75,450,366
200 Deferred Outflow of Resources										\$0				
280 Total Assets and Deferred Outflow of Resources	\$81,647,069	\$0	\$0	\$710,291	\$52,992	\$17,235,386	\$7,294,334	\$220,524	\$4,188,356	\$205,688	\$6,822,408	\$118,487,048	-\$5,168,704	\$113,318,344
311 Bank Overdraft										\$0				
312 Accounts Payable <= 90 Days	\$24,769			\$1,003		\$18,351	\$6,454		\$45,430	\$0	\$22,674	\$125,083		\$125,083
313 Accounts Payable >90 Days Past Due										\$0				
321 Accrued Wage/Payroll Taxes Payable	\$115,050			\$17,107		\$1,709	\$845	\$2,177	\$6,928	\$0	\$73,091	\$216,907		\$216,907
322 Accrued Compensated Absences - Current Portion	\$379,676			\$38,165		\$66	\$7,186	\$17,591	\$33,717	\$0	\$567,202	\$1,043,613		\$1,043,613
324 Accrued Contingency Liability										\$0				
325 Accrued Interest Payable	\$187,510					\$945,083				\$0		\$1,132,593		\$1,132,593
331 Accounts Payable - HUD PHA Programs				\$0	\$0					\$9,577	\$0	\$9,577		\$9,577
332 Account Payable - PHA Projects										\$0				
333 Accounts Payable - Other Government	\$181,757					\$77,647				\$0		\$259,404		\$259,404
341 Tenant Security Deposits	\$85,133					\$25,296			\$4,294	\$0		\$114,713		\$114,713
342 Unearned Revenue	\$466,486				\$0	\$10,081	\$47,913		\$33,156	\$0		\$557,650		\$557,650
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$2,002,157					\$326,294				\$0		\$2,328,451		\$2,328,451
344 Current Portion of Long-term Debt - Operating Borrowings										\$0				
345 Other Current Liabilities	\$911			\$45,549				\$16	\$2,383	\$0		\$48,859		\$48,859
346 Accrued Liabilities - Other	\$204,982			\$1,504		\$458,774	\$90	\$871	\$8,344	\$0	\$20,180	\$694,745		\$694,745
347 Inter Program - Due To										\$0				
348 Loan Liability - Current						\$0				\$0	\$0	\$0		\$0
310 Total Current Liabilities	\$3,648,443	\$0	\$0	\$103,328	\$0	\$1,863,291	\$62,498	\$27,057	\$134,254	\$9,577	\$683,147	\$6,331,595	\$0	\$6,331,595
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$15,571,681													
352 Long-term Debt, Net of Current - Operating Borrowings										\$0	\$0	\$22,883,787	-\$5,168,704	\$17,695,083
353 Non-current Liabilities - Other				\$28,638						\$0				
354 Accrued Compensated Absences - Non Current	\$738,129			\$92,745		\$163	\$17,573	\$42,858	\$82,383	\$0	\$562,528	\$1,536,379		\$1,536,379
355 Loan Liability - Non Current										\$0	\$0	\$0		\$0
356 FASB 5 Liabilities										\$0				
357 Accrued Pension and OPEB Liabilities										\$0	\$0	\$0		\$0
350 Total Non-Current Liabilities	\$16,309,810	\$0	\$0	\$121,383	\$0	\$7,292,269	\$17,573	\$42,858	\$82,383	\$0	\$562,528	\$24,428,804	-\$5,168,704	\$19,260,100
300 Total Liabilities	\$19,958,253	\$0	\$0	\$224,711	\$0	\$8,155,560	\$80,071	\$89,915	\$216,637	\$9,577	\$1,245,675	\$30,960,399	-\$5,168,704	\$25,791,695



Knoxville's Community Development Corp. (TN003)  
KNOXVILLE, TN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	14.155 Section 8 Housing Assistance Program, Special Allocations	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
70500 Net Tenant Rental Revenue	\$5,187,344					\$47,215			\$43,865	\$0		\$5,278,424		\$5,278,424
70400 Tenant Revenue - Other	\$228,047					\$2,126			\$1,322	\$0		\$231,495		\$231,495
70500 Total Tenant Revenue	\$5,415,391	\$0	\$0	\$0	\$0	\$49,341	\$0	\$0	\$45,187	\$0	\$0	\$5,509,919	\$0	\$5,509,919
70800 HUD PHA Operating Grants	\$18,107,416	\$69,824		\$22,308,678	\$523,886	\$0				\$513,068		\$39,522,872	\$0	\$39,522,872
70610 Capital Grants	\$4,182,130									\$0		\$4,182,130		\$4,182,130
70710 Management Fee										\$0	\$2,555,160	\$2,555,160	-\$2,555,160	\$0
70720 Asset Management Fee										\$0	\$417,090	\$417,090	-\$417,090	\$0
70730 Book Keeping Fee										\$0	\$640,997	\$640,997	-\$640,997	\$0
70740 Front Line Service Fee										\$0	\$701,666	\$701,666	-\$701,666	\$0
70750 Other Fees										\$0	\$0	\$0	\$0	\$0
70700 Total Fee Revenue										\$0	\$4,314,933	\$4,314,933	-\$4,314,933	\$0
70800 Other Government Grants			\$94,963							\$0		\$94,963		\$94,963
71100 Investment Income - Unrestricted	\$80,486			\$1,777	\$96	\$52,134	\$63	\$935	\$707	\$1,279	\$31,116	\$178,593		\$178,593
71200 Mortgage Interest Income										\$0				
71300 Proceeds from Disposition of Assets Held for Sale										\$0				
71310 Cost of Sale of Assets										\$0				
71400 Fraud Recovery	\$40,177			\$128,982	\$532	\$408				\$83		\$170,182		\$170,182
71500 Other Revenue	\$190,605			\$4,164		\$930,041	\$133,292	\$253,486	\$7,962	\$87	\$288,248	\$1,807,285	-\$437,518	\$1,369,767
71800 Gain or Loss on Sale of Capital Assets	-\$2,691						\$1,828			\$0	\$39	-\$824		-\$824
72000 Investment Income - Restricted	\$475			\$0					\$1	\$0		\$476		\$476
70000 Total Revenue	\$26,023,989	\$69,824	\$94,963	\$22,443,601	\$524,514	\$1,031,924	\$135,183	\$254,421	\$83,257	\$514,517	\$4,634,336	\$55,780,529	-\$4,752,451	\$51,028,078
91100 Administrative Salaries	\$2,093,185			\$390,005	\$32,618	\$913	\$35,471		\$28,593	\$38,680	\$2,045,492	\$4,664,957		\$4,664,957
91200 Auditing Fees	\$32,237			\$41,289	\$1,500	\$18,191	\$399			\$4,000	\$3,581	\$101,197		\$101,197
91300 Management Fee	\$1,949,108	\$0		\$507,396	\$14,400	\$11,107	\$52,080	\$0	\$21,584	\$10,632		\$2,566,287	-\$2,566,287	\$0
91310 Book-keeping Fee	\$305,105			\$317,122	\$9,000				\$3,124	\$6,646		\$640,997	-\$640,997	\$0
91400 Advertising and Marketing	\$1,248			\$126		\$3,325			\$13	\$0	\$665	\$5,378		\$5,378
91500 Employee Benefit Contributions - Administrative	\$884,074			\$210,430		\$350	\$21,923		\$14,131	\$0	\$697,539	\$1,828,447		\$1,828,447
91600 Office Expenses	\$445,088			\$110,761		\$3,191	\$4,459	\$5,677	\$12,114	\$0	\$471,141	\$1,052,430		\$1,052,430
91700 Legal Expense	\$125,214					\$2,497	\$9,319		\$1,045	\$0	\$47,540	\$185,615		\$185,615
91800 Travel	\$27,963			\$3,775		\$795			\$142	\$0	\$58,313	\$90,388		\$90,388
91810 Allocated Overhead	\$0									\$0		\$0		\$0
91900 Other	\$699,611			\$140,870		\$222,828	\$301	\$535	\$553	\$0	\$80,635	\$1,155,133	-\$63,320	\$1,091,813
91000 Total Operating - Administrative	\$6,562,233	\$0	\$0	\$1,721,774	\$57,518	\$282,997	\$123,931	\$6,212	\$81,299	\$59,958	\$3,414,907	\$12,290,829	-\$3,270,604	\$9,020,225
92000 Asset Management Fee	\$417,090									\$0		\$417,090	-\$417,090	\$0
92100 Tenant Services - Salaries	\$56,308	\$61,850		\$1				\$68,815		\$0		\$166,974		\$166,974





96900 Total Operating Expenses	\$20,153,342	\$69,824	\$0	\$1,935,057	\$57,516	\$510,743	\$157,658	\$280,437	\$245,280	\$59,958	\$4,659,942	\$28,129,769	-\$4,687,751	\$23,442,018
97000 Excess of Operating Revenue over Operating Expenses	\$5,070,647	\$0	\$94,963	\$20,508,544	\$466,996	\$521,181	-\$22,475	-\$26,016	-\$192,033	\$454,559	-\$25,606	\$27,850,760	-\$64,700	\$27,586,060
97100 Extraordinary Maintenance	\$69,200									\$0		\$69,200		\$69,200
97200 Casualty Losses - Non-capitalized	\$19,069									\$0		\$19,069		\$19,069
97300 Housing Assistance Payments				\$20,352,930	\$449,274					\$452,236		\$21,254,440	-\$64,700	\$21,189,740
97350 HAP Portability-In										\$0				
97400 Depreciation Expense	\$9,439,871					\$205,883			\$285,990	\$0	\$28,280	\$9,970,024		\$9,970,024
97500 Fraud Losses										\$0				
97600 Capital Outlays - Governmental Funds										\$0				
97700 Debt Principal Payment - Governmental Funds										\$0				
97800 Dwelling Units Rent Expense										\$0				
99000 Total Expenses	\$29,081,482	\$69,824	\$0	\$22,287,987	\$506,782	\$716,626	\$157,658	\$280,437	\$541,280	\$512,194	\$4,686,222	\$59,442,502	-\$4,752,451	\$54,690,051
10010 Operating Transfer In	\$28,893									\$0		\$28,893	-\$28,893	\$0
10020 Operating Transfer Out	\$28,893									\$0		\$28,893	\$28,893	\$0
10030 Operating Transfers from/to Primary Government										\$0				
10040 Operating Transfers from/to Component Unit										\$0				
10050 Proceeds from Notes, Loans and Bonds										\$0				
10060 Proceeds from Property Sales										\$0				
10070 Extraordinary Items, Net Gain/Loss							-\$548,810			\$0		-\$548,810		-\$548,810
10080 Special Items (Net Gain/Loss)										\$0				
10091 Inter Project Excess Cash Transfer In	\$457,166									\$0		\$457,166	-\$457,166	\$0
10092 Inter Project Excess Cash Transfer Out	-\$457,166									\$0		-\$457,166	\$457,166	\$0
10093 Transfers between Program and Project - In	\$94,963								\$1,579,034	\$0		\$1,841,074	-\$1,841,074	\$0
10094 Transfers between Project and Program - Out	-\$1,579,034									\$0		-\$1,841,074	\$1,841,074	\$0
10100 Total Other financing Sources (Uses)	-\$1,484,071	\$0	-\$94,963	\$0	\$0	\$167,077	-\$548,810	\$0	\$1,579,034	\$0	-\$167,077	-\$548,810	\$0	-\$548,810
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$5,141,564	\$0	\$0	\$155,614	\$17,722	\$482,375	-\$571,285	-\$28,016	\$1,091,011	\$2,323	-\$220,963	-\$4,210,783	\$0	-\$4,210,783
11020 Required Annual Debt Principal Payments	\$14,498,861	\$0	\$0	\$0	\$0	\$423,459	\$0	\$0	\$0	\$0	\$0	\$14,922,320		\$14,922,320
11030 Beginning Equity	\$69,721,088	\$0	\$0	\$328,966	\$35,270	\$9,355,110	\$7,785,548	\$176,825	\$0	\$193,788	\$5,897,696	\$93,495,091		\$93,495,091
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$2,880,708	\$0	\$0	\$0		-\$1,757,659		\$0	\$2,880,708	\$0	\$0	-\$1,757,659		-\$1,757,659
11050 Changes in Compensated Absence Balance										\$0				
11060 Changes in Contingent Liability Balance										\$0				
11070 Changes in Unrecognized Pension Transition Liability										\$0				
11080 Changes in Special Term/Serance Benefits Liability										\$0				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										\$0				
11100 Changes in Allowance for Doubtful Accounts - Other										\$0				
11170 Administrative Fee Equity				\$480,913						\$0		\$480,913		\$480,913
11180 Housing Assistance Payments Equity				\$4,667						\$0		\$4,667		\$4,667

11190 Unit Months Available	41418				45481	1200			591	984	0	89874		89874
11210 Number of Unit Months Leased	40392				42283	1200			575	886	0	85336		85336
11270 Excess Cash	\$14,110,552									\$0		\$14,110,552		\$14,110,552
11610 Land Purchases	\$0									\$0	\$0	\$0		\$0
11620 Building Purchases	\$1,462,678									\$0	\$0	\$1,462,678		\$1,462,678
11630 Furniture & Equipment - Dwelling Purchases	\$0									\$0	\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$55,218									\$0	\$0	\$55,218		\$55,218
11650 Leasehold Improvements Purchases	\$0									\$0	\$0	\$0		\$0
11660 Infrastructure Purchases	\$0									\$0	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$3,268,597									\$0	\$0	\$3,268,597		\$3,268,597
13901 Replacement Housing Factor Funds	\$0									\$0	\$0	\$0		\$0

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**CERTIFICATION OF ACTUAL CAPITAL FUND**  
**MODERNIZATION COSTS**  
**JUNE 30, 2016**

<b>PROGRAM</b>	<b>TN37P003 501-09</b>	<b>TN37P003 501-10</b>	<b>TN37P003 501-11</b>	<b>TN37R003 502-12</b>
Funds approved	\$ 5,427,929	\$5,660,496	\$4,804,988	\$ 348,254
Funds expended	5,427,929	5,660,496	4,804,988	348,254
<b>Excess of funds approved</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Funds advanced	\$ 5,427,929	\$5,660,496	\$4,804,988	\$ 348,254
Funds expended	5,427,929	5,660,496	4,804,988	348,254
<b>Excess of funds advanced</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
Knoxville, Tennessee

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Federal Grantor:**

<b>CFDA Number</b>	<b>Program Title</b>	<b>Pass Through Entity</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
14.850	Low Rent Public Housing	NA	\$ 14,710,448
14.872	Capital Fund Program	NA	5,579,098
	<b>Housing Voucher Cluster</b>		
14.871	Housing Choice Voucher Program	NA	22,308,678
14.879	Mainstream Voucher Program	NA	523,886
	<b>Total Housing Voucher Cluster</b>		<b>22,832,564</b>
14.896	PIH Family Self-Sufficiency Program		69,824
14.856	Section 8 Housing Assistance Payments - Moderate Rehabilitation	NA	513,068
14.218	Community Development Block Grant	County of Knox	94,963
	<b>Total U.S. Department of HUD</b>		<b>43,799,965</b>
	<b>Total Federal Awards Expenditures</b>		<b>\$ 43,799,965</b>

**Notes to the Schedule of Expenditures of Federal Awards**

**A. Basis of Accounting**

This schedule is prepared on the accrual basis of accounting.

**B. Basis of Presentation**

The accompanying Schedule of Federal Awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

**C. Reconciliation of Total Federal Awards Expenditures to Financial Data Schedule**

FDS line 706	HUD PHA Grants	\$ 39,522,872
FDS line 706.1	Capital Grants	4,182,130
FDS line 708	Other government grants	94,963
		<b>\$ 43,799,965</b>

**SINGLE AUDIT SECTION**

MALCOLM JOHNSON & COMPANY, P.A.  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Knoxville's Community Development Corporation  
Knoxville, Tennessee

HUD, Knoxville Field Office  
710 Locust Street, S. W.  
Knoxville, Tennessee 37902-2526

We have audited, 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, the basic financial statements of Knoxville's Community Development Corporation ("the Authority"), which include the statement of net position as of June 30, 2016, and the related statements of revenue, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon December 27, 2016.

**Internal Control Over Financial Reporting**

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

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

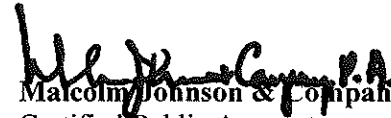
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
December 27, 2016

MALCOLM JOHNSON & COMPANY, P.A.  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE**

Board of Commissioners  
Knoxville's Community Development Corporation  
Knoxville, Tennessee

HUD, Knoxville Field Office  
710 Locust Street, S. W.  
Knoxville, Tennessee 37902-2526

**Report on Compliance for Each Major Program**

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

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

**Opinion on Each Major Program**

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



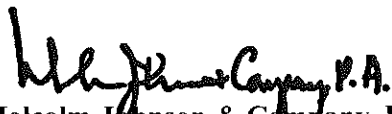
## Report on Internal Control Over Compliance

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

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

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

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

  
Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
December 27, 2016

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

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

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Basic Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
~ Material weakness identified?	No
~ Significant deficiency identified that is not considered to be a material weakness?	None Reported
Noncompliance material to basic financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
~ Material weakness identified?	No
~ Significant deficiency identified that is not considered to be a material weakness?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?	No

Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program</b>
14.850	Low Rent Public Housing
14.872	Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$1,313,999
Auditee qualified as low-risk auditee?	Yes

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(Continued)**

**SECTION II – BASIC FINANCIAL STATEMENT FINDINGS**

There are no Basic Financial Statement Findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no Federal Award Findings and Questioned Costs.

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**  
**Knoxville, Tennessee**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

There were no Prior Audit Findings.