

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

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

FOR THE YEAR ENDED JUNE 30, 2018

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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 ("KCDC") which include the statement of net position as of and for the year ended June 30, 2018, 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 KCDC'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 KCDC'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 KCDC'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 KCDC as of June 30, 2018, 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-ix 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 financial statements that collectively comprise KCDC'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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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 20, 2018 on our consideration of KCDC'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 KCDC's internal control over financial reporting and compliance.



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

DeBary, Florida
December 20, 2018

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 2018

- KCDC’s total net position decreased by \$10 million (or -11.7%) during fiscal year 2018. Since KCDC engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was \$75.6 million and \$85.6 million for 2018 and 2017 respectively. This decrease in net position is primarily due to the increase this year in debt reduction payments and reserve contributions as a result of property portfolio Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing.
- The business-type activities revenue decreased by \$17.5 million (or 30.2%) during fiscal year 2018. Revenues were \$40.5 million and \$58.0 million for 2018 and 2017 respectively. The decrease in revenue is primarily due to the loss on sale of assets as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units).
- The total expenses of KCDC programs decreased by \$9.3 million (or -15.6%). Total expenses were \$50.5 million and \$59.8 million for 2018 and 2017 respectively. The decrease in expenses is primarily due to decreased depreciation as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units) and decrease in extraordinary items from State/Local program as a result of change in assets held for sale.

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, 2018
(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 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, 2018
(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>2018</u>	<u>2017</u>	<u>Net Change</u>	<u>% Change</u>
Assets:				
Current and Restricted Assets	40.8	38.5	2.3	6.0%
Capital Assets, Net	41.6	60.8	(19.2)	-31.6%
Other Assets	8.4	8.1	0.3	3.7%
Total Assets	90.8	107.4	(16.6)	-15.5%
Deferred Outflow of Resources	0.0	0.0	0.0	NA
Total Assets & Deferred Outflow of Resources	90.8	107.4	(16.6)	-15.5%
Liabilities				
Current Liabilities	4.9	8.2	(3.3)	-40.2%
Non-Current Liabilities	10.3	13.6	(3.3)	-24.3%
Total Liabilities	15.2	21.8	(6.6)	-30.3%
Deferred Inflow of Resources	0.0	0.0	0.0	NA
Total Liabilities & Deferred Inflow of Resources	15.2	21.8	(6.6)	-30.3%
Net Position				
Net Investment in Capital Assets	31.1	44.2	(13.1)	-29.6%
Restricted Net Position	0.0	0.3	(0.3)	NA
Unrestricted Net Position	44.5	41.1	3.4	8.3%
Total Equity/Net Assets/Position	75.6	85.6	(10.0)	-11.7%

For more detailed information see the Statement of Net Position.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)

Major Factors Affecting the Statement of Net Position

Total Assets and Deferred Outflow of Resources decreased by \$16.6 million primarily due to a significant decrease in capital assets this year as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units).

Total Liabilities and Deferred Inflow of Resources decreased by \$6.6 million which is primarily due to continued note and interest reduction as a result of property portfolio Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing.

Total Equity/Net Assets/Position decreased by \$10 million this year. This decrease in net position is primarily due to the decrease this year in Net investment in Capital Assets as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units).

Table 2 presents details on the change in Unrestricted Net Position.

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

Unrestricted Net Position as of 6/30/2017	41.1
Results of Operations-FY18	-10.0
Adjustments:	
Depreciation Expense	<u>4.3</u>
Adjusted Results from Operations	<u>-5.7</u>
Net investment in Capital Assets and Restricted Net Position related adjustments	<u>9.1</u>
Unrestricted Net Position as 6/30/2018	44.5

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, 2018
(Continued)

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

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

	2018	2017	Net Change	% Change
Revenues				
Tenant Rents/Other	4.8	6.1	(1.3)	-21.3%
Program Subsidies-Grants	43.3	45.4	(2.1)	-4.6%
Interest Income	0.2	0.2	-	0.0%
Other Revenues	-7.8	6.3	(14.1)	-223.8%
Total Revenues	40.5	58.0	(17.5)	-30.2%
Expenses				
Administrative	8.5	9.6	(1.1)	-11.5%
Tenant Services	0.7	0.7	-	0.0%
Utilities	3.2	3.6	(0.4)	-11.1%
Maintenance	4.8	5.9	(1.1)	-18.6%
Protective Services	0.4	0.6	(0.2)	-33.3%
General	1.8	2.8	(1.0)	-35.7%
Interest & Amortization	0.5	0.8	(0.3)	-37.5%
Extraordinary Maintenance & Casualty				
Losses	0	0.1	(0.1)	-100.0%
Housing Assistance Payments	24.1	21.7	2.4	11.1%
Depreciation	4.3	9.4	(5.1)	-54.3%
Extraordinary & Special Items, Net				
Loss/(Gain)	2.2	4.6	(2.4)	-52.2%
Total Expenses	50.5	59.8	(9.3)	-15.6%
Decrease in Net Position	-10.0	-1.8	(8.2)	455.6%

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

The decrease in revenue from last fiscal year is primarily due to the significant loss in sale of assets as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units).

The decrease in expenses from last fiscal year is primarily due to decreased depreciation as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units) and decrease in extraordinary items from State/Local program as a result of change in assets held for sale.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)

Budgetary Highlights

For the year ended June 30, 2018, 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 total expenses over total revenues, KCDC's net position decreased during the fiscal year. This decrease is attributable to the significant loss in sale of assets as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units).

Capital Assets and Debt Administration

Capital Assets

For the year ended June 30, 2018, KCDC had 41.6 million invested in a variety of capital assets as reflected in the following schedule, which represents a decrease (deductions and depreciation) of \$19.2 million from the end of last year. This net decrease is primarily due to the decrease in capital assets and related depreciation for the properties that were sold as part of the Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing and the creation of Limited Partnerships (Discrete Component Units).

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

	Business-type Activities			
	2018	2017	Net Change	% Change
Land	3.6	4.0	(0.4)	-10.0%
Buildings	151.5	241.2	(89.7)	-37.2%
Furniture/Equipment	1.5	1.8	(0.3)	-16.7%
Accumulated Depreciation	(123.4)	(195.9)	72.5	-37.0%
Construction in Progress	8.4	9.7	(1.3)	-13.4%
Capital Assets, Net	41.6	60.8	(19.2)	-31.6%

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(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

	Business Type Activities
Beginning Balance 6/30/2017	60.8
Additions	4.0
Retirements	-18.9
(Net of Depreciation)	
CYR Depreciation	-4.3
Ending Balance 6/30/2018	41.6

Debt Outstanding

For the year ended June 30, 2018, KCDC had \$ 10.5 million in debt (bonds, notes, etc.) outstanding compared to \$16.5 last year, showing a \$6.0 million decrease primarily due to continued note reductions as a result of property portfolio conversions from Public Housing to Multi-Family Housing through the Rental Assistance Demonstration Program (RAD).

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

Business Type	2018	2017	Net Change	% Change
Capital Improvements-Long Term	\$ 8.3	\$ 11.8	(3.5)	-29.7%
Current Portion of Debt	2.2	4.7	(2.5)	-53.2%
Total Debt	\$ 10.5	\$ 16.5	(6.0)	-36.4%

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(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.

Roster of Board Members

Chairman:	John Winemiller
Vice Chairman:	Bob Whetsel
Secretary:	Benjamin M. Bentley
Treasurer:	Gloria Garner

Commissioner:	Bruce Anderson
Commissioner:	Robyn McAdoo
Commissioner:	Sylvia Cook
Commissioner:	Kimberly Henry

Roster of Management Officials

Benjamin M. Bentley, 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, 2018

	Total	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents, unrestricted	\$ 18,000,788	\$ 533,018
Cash and cash equivalents, restricted	2,746,737	47,002,870
Investments, unrestricted	16,925,400	-
Investments, restricted	14,401	-
Accrued interest receivable	105,198	-
Accounts receivable, net of allowance	1,371,383	18,599
Due from other governments	1,165,346	-
Inventories, net of obsolescence	42,469	-
Prepaid expense	176,951	46,578
Assets held for conveyance	259,200	-
Total current assets	40,807,873	47,601,065
Noncurrent assets		
Other assets		
Notes and mortgages receivable	6,989,657	-
Investments in joint ventures	12,661	-
Total other assets	7,002,318	-
Capital assets		
Not being depreciated	11,991,737	10,184,023
Depreciable, net	29,632,025	29,631,647
Total capital assets, net	41,623,762	39,815,670
Other noncurrent assets		
Assets held for conveyance	1,399,750	2,934,935
Total noncurrent assets	50,025,830	42,750,605
Total assets	90,833,703	90,351,670
Deferred Outflow of Resources	-	-
Total Assets and Deferred Outflow of Resources	90,833,703	90,351,670
LIABILITIES		
Current liabilities		
Vendors and contractors payable	338,975	28,554
Accrued wages/taxes payable	179,575	-
Accrued compensated absences	753,959	-
Accrued interest payable	133,973	308,215
Due to other governments	143,155	-
Unearned revenue	484,240	15,164
Notes and bonds payable	2,266,908	2,116,718
Other current liabilities	18,913	-
Other accrued liabilities	407,113	1,833,408
Resident security deposits	186,911	-
Total current liabilities	4,913,722	4,302,059
Noncurrent liabilities		
Notes and bonds payable	8,267,306	71,736,954
Accrued compensated absences	1,984,134	-
Other accrued liabilities	71,090	344,266
Total noncurrent liabilities	10,322,530	72,081,220
Total liabilities		
Deferred Inflow of Resources	-	-
Total Liabilities and Deferred Inflow of Resources	15,236,252	76,383,279
NET POSITION		
Net investment in capital assets	31,089,548	-
Restricted	28,481	-
Unrestricted	44,479,422	13,968,391
Total net position	\$ 75,597,451	\$ 13,968,391

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

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF REVENUES, EXPENSED AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Total 2018	Discretely Presented Component Unit
Operating revenues		
Rental revenue	\$ 4,594,663	\$ 743,739
Fee revenue	361,335	-
HUD grants	41,036,883	-
Other governmental grants	184,504	1,387,013
Other revenue	9,469,062	22,524
Total operating revenues	55,646,447	2,153,276
Operating expenses		
Administrative	8,506,620	649,534
Asset management fee	-	42,840
Tenant services	677,941	-
Utilities	3,238,843	380,838
Ordinary maintenance & operation	4,739,235	244,278
Protective services	434,142	63,763
Insurance	355,520	37,048
General expenses	1,429,535	277,569
Housing assistance payments	24,106,619	-
Depreciation	4,325,256	517,752
Total operating expenses	47,813,711	2,213,622
Operating income (loss)	7,832,736	(60,346)
Nonoperating revenues (expenses)		
Interest revenue, unrestricted	190,948	2,479
Interest revenue, restricted	5,442	-
Interest expense	(532,631)	(171,993)
Fraud recovery	110,997	-
Extraordinary maintenance	(20,801)	-
Gain/(loss) on disposition of capital assets	(17,598,491)	-
Total nonoperating revenues	(17,844,536)	(169,514)
Income (loss) before contributions	(10,011,800)	(229,860)
Capital contributions	2,137,235	14,198,251
Special items	(2,187,067)	-
Increase (decrease) in net position	(10,061,632)	13,968,391
Net position, beginning of year	85,659,083	-
Net position, end of year	\$ 75,597,451	\$ 13,968,391

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, 2018

	Total 2018	Discretely Presented Component Unit
Cash Flows From Operating Activities		
Receipts from dwelling rentals	\$ 7,008,794	\$ 725,140
Operating grants	41,070,294	1,387,013
Receipts from fees	363,172	(152,346)
Other receipts	9,361,060	22,524
Payments to employees and suppliers	(20,619,976)	(2,303,645)
Payments to landlords, residents and employee benefits	(24,546,367)	-
Net cash provided (used) by operating activities	12,636,977	(321,314)
Cash Flows From Capital and Related Financing Activities		
Capital contributions	2,277,588	14,198,251
Purchases of capital assets	(8,053,148)	(40,333,422)
Gain or loss on disposition of capital assets	5,312,463	-
Proceeds from capital debt	(6,015,032)	73,853,672
Interest paid on capital debt	(870,195)	136,222
Net cash provided (used) by capital and related financing activities	(7,348,324)	47,854,723
Cash Flows From Investing Activities		
Purchase of investments	(7,022,929)	-
Proceeds from homebuyer note activity - net	(661,556)	-
Increase in notes receivable	3,234,640	-
Investment in joint ventures	453	-
Interest	177,533	2,479
Net cash provided (used) by investing activities	(4,271,859)	2,479
Net increase (decrease) in cash and cash equivalents	1,016,794	47,535,888
Balance - beginning of the year	19,730,731	-
Balance - end of the year	\$ 20,747,525	\$ 47,535,888
Reconciliation of Cash Flows to Statement of Net Position		
Cash and cash equivalents, unrestricted	\$ 18,000,788	\$ 533,018
Cash and cash equivalents, restricted	2,746,737	47,002,870
	\$ 20,747,525	\$ 47,535,888

There are no non-cash transactions.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

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

	<u>Total 2018</u>	<u>Discretely Presented Component Unit</u>
Operating income/(loss)	\$ 7,832,736	\$ (60,346)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation elimination	4,325,256	517,752
Decrease in accounts receivable	2,493,490	(18,599)
Increase in due to/from other governments	(306,270)	-
Increase in due to/from other programs	6,644	-
Increase in prepaid expenses	44,976	(46,578)
Increase in other assets	330,550	(2,934,935)
Increase in security deposits	9,259	-
Decrease in accounts payable	(274,211)	28,554
Increase in accrued wages	24,029	-
Decrease in accrued compensated absences	(70,854)	-
Increase in unearned revenue	(43,100)	15,164
Decrease in accrued liabilities	361,343	2,177,674
Other revenue and expense reported as nonoperating	(2,096,871)	-
	<u>\$ 12,636,977</u>	<u>\$ (321,314)</u>

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

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 both blended component units and discretely presented component units.

Blended Component Units

- **Passport Development Corporation (PDC)** is a Section 115 Corporation which has served as KCDC's general partner (GP) to limited partnerships formed in conjunction with low-income tax credits. Currently PDC is the GP for Eastport Development LP.
- **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 1 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 2 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 which will consist of 84 family and elderly units.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

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

2. Reporting Entity: (Continued)

Blended Component Units (Continued)

- **Five Points 3 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 3 which will consist of 80 family and elderly units.
- **Five Points 4 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 4 which will consist of 82 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.
- **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. In fiscal year 2018 there was no activity and the LP was dissolved.
- **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. In fiscal year 2018 there was no activity and the LP was dissolved.
- **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.
- **Montgomery Village Housing Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to facilitate the renovation of Montgomery Village Apartments.

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

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

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

2. Reporting Entity: (Continued)

Discretely Presented Component Units

As of June 30, 2018, KCDC recognized five limited partnerships (LPs) as discretely presented component units as follows:

- **Eastport Development LP** was formed under the laws of the State of Tennessee on November 10, 2009 to acquire, own, develop, lease and operate The Residences at Eastport, Phase II (the "Property") located in Knoxville, Tennessee. The Property consists of a 60-unit multifamily apartment complex developed and operated under the federal low-income housing tax credit program as provided for in Section 42 of the Internal Revenue Code ("Section 42").
- **Five Points 1 LP** was formed under the laws of the State of Tennessee on January 23, 2014 to acquire, own, develop, lease and operate Five Points Senior Building (the "Property") located in Knoxville, Tennessee. The Property consists of 90 units, developed and operated under the low-income housing tax credit program. Additionally, the Partnership entered into a Housing Assistance Payments Program ("HAP") and Rental Assistance Demonstration Use Agreement ("RAD") with the U.S. Department of Housing and Urban Development ("HUD"). The effective date of these agreements is July 1, 2017, and the agreements expire on April 30, 2037.
- **Lonsdale, LP** was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate The Lonsdale (the "Property") located in Knoxville, Tennessee. The Property consists of 260 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development ("HUD").
- **North Ridge Crossing, LP** was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate North Ridge Crossing Apartments (the "Property") located in Knoxville, Tennessee. The Property consists of 268 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development ("HUD").
- **Vista at Summit Hill, LP** (the "Partnership") was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate The Vista at Summit Hill (the "Property") located in Knoxville, Tennessee. The Property consists of 175 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development ("HUD").

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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

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

2. Reporting Entity: (Continued)

Main programs of KCDC are as follows: (Continued)

Section 8 Housing Choice Voucher Cluster (Housing Choice Vouchers and Mainstream Voucher 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.

Section 8 Project Based Cluster (Moderate Rehabilitation Properties and Section 8 Special Allocations): Section 8 project-based rental assistance programs aid low- and very low-income families in obtaining decent, safe, and sanitary rental housing through the provision of housing assistance payments to participating owners on behalf of eligible tenants. The Mod Rehab property owners are independent parties. The Special Allocations fund KCDC-owned Multi-family Housing developments which were converted from public housing to local ownership through HUD's RAD program.

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.

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 internal fees by overseeing other KCDC programs.

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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

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

3. Basis of Presentation and Accounting: (Continued)

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.
- 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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

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

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, 2018 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.

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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

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

12. Capital Assets: (Continued)

d. Impairment of Long-Lived Assets: KCDC has been and is currently involved in various demolition activities in conjunction with its modernization and development programs. In accordance with *Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"*, KCDC has at June 30, 2018, recognized in the accompanying basic financial statements the impact of the demolition activities. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued 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 GASE 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.

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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

- 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, 2018:

Deposits:

Demand:	Unrestricted	\$ 18,000,788
	Restricted Other	2,550,233
	Tenant Security Deposits	186,912
	Restricted for payment of current liabilities	<u>9,592</u>
Total cash demand deposits		<u>\$ 20,747,525</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

Investments:

Investment	Maturity	Value Principal Paid	Moody's	S & P	Callable
	Date	06/30/2018	Rating	Rating	
US TREAS NTS	08/15/2018	998,570	NR	NR	NO
FHLMC	09/28/2018	1,001,250	AAA	AA+	YES
FHLB	10/05/2018	1,001,000	AAA	AA+	YES
BERKSHIRE CD	11/29/2018	250,000	NR	NR	NO
FNMA	02/26/2019	1,000,000	AAA	AA+	YES
FFCB	03/29/2019	999,500	AAA	AA+	YES
HSBC CD	05/10/2019	250,000	NR	NR	NO
COMENITY CD	05/21/2019	250,000	NR	NR	NO
MORTON CD	06/17/2019	250,000	NR	NR	NO
FHLB	10/03/2019	1,000,000	AAA	AA+	YES
US TREAS NTS	12/15/2019	1,000,612	AAA	NR	NO
FHLB	02/28/2020	1,000,750	AAA	AA+	YES
FHLMC	03/13/2020	997,090	AAA	AA+	YES
FHLB	06/05/2020	1,000,000	AAA	AA+	YES
FHLMC	09/29/2020	996,160	AAA	AA+	YES
FNMA	10/28/2020	984,300	AAA	AA+	YES
FHLB	11/05/2020	985,339	NR	NR	YES
FNMA	12/24/2020	983,230	AAA	AA+	YES
FHLMC	01/26/2021	992,000	AAA	AA+	YES
US TREAS NTS	02/15/2021	1,000,000	NR	NR	NO
TOTAL SECURITIES		16,939,801			

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

Restricted Cash:

Low Income Public Housing:

Restricted for payment of debt	656,443
Restricted for tenant security deposits	147,508

Housing Choice Voucher

Restricted for Housing Assistance Payments Equity	87,260
Restricted for payment of current liabilities	9,592

Blended Component Unit

Restricted for tenant security deposits	10,847
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Section 8 Special Allocation

Restricted for replacement and rehabilitation reserve	1,806,530
Restricted for tenant security deposits	<u>28,557</u>

Total restricted demand deposits	<u>2,746,737</u>
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Restricted Investments:

Low Income Public Housing

Restricted for payment of debt	-
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Housing Choice Voucher

Restricted for Housing Assistance Payments Equity	<u>14,401</u>
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Total restricted investments	<u>14,401</u>
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Total restricted demand deposits and investments	<u>2,761,138</u>
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Unrestricted Cash	18,000,788
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Unrestricted Investments	<u>16,925,400</u>
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Total unrestricted cash and investments	<u>34,926,188</u>
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Total of restricted and unrestricted cash and investments	<u>\$ 37,687,326</u>
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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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

B - Deposits and Investments: (Continued)

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.

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, 2018, 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, 2018, the investments held by KCDC mature August 15, 2018 through February 15, 2021. 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, 2018
(Continued)

C – Accounts Receivable:

Balances due from managed entities	\$ 1,222,870
Tenants accounts receivable, net of allowance of \$36,902	74,434
Due from Knoxville Utilities Board	62,000
Fraud recovery, net of allowance of \$14,349	1,917
Due from other agencies	<u>10,162</u>
	<u>\$ 1,371,383</u>

D – Due From Other Governments:

US Department of HUD	\$ 338,318
Local governments	<u>827,028</u>
	<u>\$ 1,165,346</u>

E – Prepaid Items:

Prepaid insurance	\$ 126,841
Prepaid contracts	29,268
Prepaid benefits	<u>20,842</u>
	<u>\$ 176,951</u>

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 noncurrent portion net of allowance for loss on disposition of \$69,050 is \$1,399,750.
The current portion is \$259,200, with no allowance for loss on disposition.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

G - Notes and Mortgages Receivable

Funding Source	Due From	Ref	Amount
Capital Fund Program Loans	Eastport Development, LP	2	\$ 100,000
ARRA Loan	Eastport Development, LP	2	4,058,273
KHDC Loan	Eastport Development, LP	2	128,651
Passport Development Corp	Eastport Development, LP	2	750,000
Five Points II Corporation	Five Points II, LP	4	1,291,177
Five Points III Corporation	Five Points III, LP	5	<u>661,556</u>
			<u>\$ 6,989,657</u>

- 1. 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. In fiscal year 2018 KCDC acquired the 50 unit complex in satisfaction of these notes receivable.
- 2. 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 and ARRA funds were provided through HUD as grants 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

- 3.** On April 29, 2016, KHDC, a KCDC blended component unit subsidiary, issued a note to Five Points 1 LP by its General Partner, Five Points 1 Corporation, a KCDC blended component unit subsidiary, in the amount of \$3,234,640. The note was paid in full in fiscal year 2018.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

G - Notes and Mortgages Receivable (Continued)

4. On May 23, 2017, KCDC, through KHDC a KCDC blended component unit subsidiary, issued a note to Five Points 2 LP by its General Partner, Five Points 2 Corporation, a KCDC blended component unit subsidiary, in the amount of \$1,291,177. The proceeds from the note are to be used as funding for the building of an 84 unit family and elderly apartment complex known as Five Points Phase 2. The principal balance of the note bears interest at 0% per annum until September 30, 2018. From and after October 1, 2018, the principal balance of this Note shall bear interest until the principal amount and all accrued interest is or becomes due and payable in full at a rate of interest equal to 7.75% per annum. Maturity date is October 31, 2048. The outstanding balance as of June 30, 2018 is \$1,291,177.
5. On April 12, 2018, Five Points 3 LP, a KCDC discretely presented component unit, issued a note to KCDC in the amount of \$661,556. The proceeds from the note are to be used as partial funding for the rehabilitation of an 80 unit complex known as Five Points Phase 3. The principal balance of the note bears interest at 0% per annum until January 31, 2020. From and after February 1, 2018, the principal balance of this Note shall bear interest until the principal amount and all accrued interest is or becomes due and payable in full at a rate of interest equal to 3.04% per annum. Maturity date is January 31, 2050. The outstanding balance as of June 30, 2018 is \$661,556.

H – Land, Buildings, and Equipment:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Not being depreciated:					
Land	\$ 4,048,988	\$ 297,518	\$ (733,942)	\$ -	\$ 3,612,564
Construction in progress	9,696,269	5,229,261	(2,152,185)	(4,394,173)	8,379,172
Total not being depreciated	13,745,257	5,526,779	(2,886,127)	(4,394,173)	11,991,736
Depreciable:					
Buildings & improvements	241,209,346	2,691,261	(96,788,013)	4,388,900	151,501,494
Accumulated depreciation	(194,244,600)	(4,476,126)	76,815,886	-	(121,904,840)
Net buildings & improvements	46,964,746	(1,784,865)	(19,972,127)	4,388,900	29,596,654
Equipment	1,777,815	22,276	(239,873)	5,273	1,565,491
Accumulated depreciation	(1,680,994)	(36,298)	187,173	-	(1,530,119)
Net equipment	96,821	(14,022)	(52,700)	5,273	35,372
Net depreciable assets	47,061,567	(1,798,887)	(20,024,827)	4,394,173	29,632,026
TOTAL	\$ 60,806,824	\$ 3,727,892	\$ (22,910,954)	\$ -	\$ 41,623,762

I – Due to Other Governments:

Payments in Lieu of Taxes (local governments)	\$ 138,095
Due to US Department of HUD	5,060
	<u>\$ 143,155</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

J – Unearned Revenue:

Tenant Prepaid Rent	\$ 44,481
Cable Provider Marketing Share Revenue	196,189
Local Government redevelopment advances	44,991
HUD subsidy	<u>198,579</u>
	<u>\$ 484,240</u>

K - Notes and Bonds Payable:

Reference	Interest Expense	Current	Long Term	Total Debt
2	\$ 38,176	\$ 107,709	\$ 1,148,885	\$ 1,256,594
3	267,334	1,817,146	2,989,221	4,806,367
4	195,479	294,081	3,459,866	3,753,947
5	-	-	248,699	248,699
6	23,583	47,972	420,635	468,607
	<u>\$524,572</u>	<u>\$2,266,908</u>	<u>\$8,267,306</u>	<u>\$ 10,534,214</u>

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. At June 30, 2017 the balance of the note payable was \$117,648. In the fiscal year ended June 30, 2018 KCDC paid the City of Knoxville the full amount of the outstanding loan balance plus accrued interest. The balance as of June 30, 2018 is \$0.
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, 2018 is \$1,256,594. Future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 107,709	\$ 34,713
2020	<u>1,148,885</u>	<u>159,482</u>
	<u>\$ 1,256,594</u>	<u>\$ 194,195</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

K - Notes and Bonds Payable: (Continued)

3. 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 face amount of \$10,131,395 bears interest at 3.10% annum for an 8.5-year term. The outstanding balance as of June 30, 2018 is \$4,806,367. Payments on this loan have been accelerated in order to pay off individual property shares of the note as these properties transition from low-rent public housing to multi-family housing through the Rental Assistance Demonstration Project (RAD). Based on the current schedule and anticipated prepayments to be made, the future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,817,146	\$ 245,994
2020	462,792	212,539
2021	475,940	178,066
2022	489,706	142,609
2023	503,998	194,596
2024-2028	<u>1,056,785</u>	<u>338,691</u>
	<u>\$ 4,806,367</u>	<u>\$1,312,495</u>

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, 2018 of \$3,753,947. During FY 2019, 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 schedule, the future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	294,081	\$ 219,496
2020	307,773	201,288
2021	322,101	182,233
2022	337,099	162,291
2023	352,793	478,269
2024-2028	2,026,182	22,707
2029-2033	<u>113,918</u>	<u>22,707</u>
	<u>\$ 3,753,947</u>	<u>\$ 1,508,418</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

K - Notes and Bonds Payable: (Continued)

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, 2018 is \$248,699.

6. On June 30, 2001, 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, 2015.

Pursuant to the dissolution of Passport Homes LP, KCDC assumed this note in accordance with a Modification and Assumption Agreement dated January 31, 2017. All terms of the loan remain intact. The outstanding balance as of June 30, 2018 is \$468,607. Future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 47,972	\$ 20,303
2020	50,201	18,064
2021	52,534	15,722
2022	54,975	13,271
2023	57,529	13,271
2024-2028	<u>205,396</u>	<u>26,309</u>
	<u>\$ 468,607</u>	<u>\$ 106,940</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

K - Notes and Bonds Payable: (Continued)

7. 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

Redevelopment Area and Project	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance	Estimated Project Total
1. Jackson / Depot (Fire Street Lofts)	214 Jackson Avenue	David Dewhirst 214 Jackson, LLC	02-17-05	\$1,100,000	\$275,105.07	\$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	\$390,905.20	\$6,100,000
3. Gay Street (Burwell Bldg)	602 S. Gay Street	Cardinal Investment Properties, LLC Brian Conley	03-08-06	\$855,795.94	\$227,324.02	\$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	\$711,776.68	\$13,725,000
5. World's Fair Park (Candy Factory & Victorian Houses)	Clinch & 11 th Street	Kinsey, Probasco, Hays	03-31-06	\$1,600,000	\$432,041.19	\$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	\$2,663,480.90	\$27,550,330
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	\$768,722.95	\$6,401,000
8. Gay Street (Crimson Building)	302 S. Gay Street	Crimson Inferno, LLC Jeffery Nash, Buzz Gross	06-20-07	\$350,000	\$103,673.03	\$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	\$100,275.39	\$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	\$64,644.09	\$4,174,256
11. Brownlow (Brownlow School)	1305 Luttrell	KP Jon Kinsey	09-12-08	\$542,284.33	\$267,377.88	\$5,450,000
12. Jackson/Depot (JFG Lofts)	200-202 W. Jackson Avenue	Dewhirst Properties David Dewhirst	04-14-08	\$810,000	\$257,065.72	\$7,560,000
13. Jackson/Depot (SE Glass Building)	100 N. Broadway	Conversion Properties Joe Petre	05-27-09	\$460,123	\$237,073.06	\$4,103,976

Redevelopment Area and Project	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance	Estimated Project Total
14. Gay Street (500 Block)	516-524 Gay Street	500 Block LLC John Craig	09-12-08	\$812,500	\$361,558.97	\$4,908,189
15. South Waterfront (South Waterfront)	Langford Avenue	City of Knoxville KCDC	12-31-08	\$12,000,000	\$10,649,736.02	\$139,000,000
16. Downtown North/I-275 (Fifth Avenue Condos)	605,607 King Street 201,209 W.5 th Ave.	Svend Brooks, Tim Wesley, Earl Worsham	11-13-09	\$356,000	\$190,593.58	\$3,734,762
17. Central Bus. Dist. West (Daylight Building)	501 Union Avenue	David Dewhirst Mark Heinz	10-01-09	\$959,000	\$638,864.18	\$6,745,000
18. Northside Waterfront (The Landings)	710 East Hill Ave.	Aaron White Hunter Connelly	02-17-10	\$1,500,000	\$1,095,461.39	\$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	\$64,539.42	\$847,866
20. Market Square (Armstein Building)	501 Market Street	David Dewhirst Mark Heinz Tim Zitzman Albert Ritchie Chuck Griffin Kelly Headen	12-20-11	\$1,145,000	\$535,203.23	\$8,515,000
21. University Commons (University Commons)	Kingston Pike	Jim Harrison Bud Cullom	12-21-12	\$10,000,000	\$8,353,946.41	\$62,000,000
22. Northside Waterfront (The Landings, Phase II)	930 Riverside Forest Way	Aaron White Hunter Connelly	12-31-12	\$715,000	\$645,575.62	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	\$972,081.37	\$7,361,000
24. Jackson/Depot (Magnolia Urban Village)	110 Magnolia Avenue 319 N. Central Street	The Courtland Group, LLC Jeffrey Nash	08-04-14	\$225,000	\$180,105.35	\$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	\$539,000.00	\$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	\$349,999.92	\$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	\$1,650,000.00	\$9,700,000
28. South Waterfront (Riverwalk Project)	East Blount Avenue	Riverwalk Investors LLC and Grand Oak Riverwalk LLC	12-29-16	\$22,000,000	\$11,770,688.94	\$139,000,000
29. Jackson Depot (Regas Square Development Project)	333 West Depot Avenue	Regas Properties LLC	1-27-17	\$4,950,000	\$3,777,394.63	\$35,101,798

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 useful life. There was \$-0- in interest cost capitalized in 2018 with KCDC entity programs.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

L – Other Liabilities:

	<u>Current</u>	<u>Long Term</u>
Contract retentions	\$ 6,077	\$ -
Tenant refund	777	-
Other	2,467	-
FSS Escrow	<u>9,592</u>	<u>71,090</u>
	<u>\$ 18,913</u>	<u>\$ 71,090</u>

M – Accrued Liabilities Other

Utilities	\$ 272,764
EPC Ameresco	41,325
Credit card	91,793
Other	<u>1,231</u>
	<u>\$ 407,113</u>

N- Schedule of Changes in Noncurrent Liabilities:

	<u>Balance at</u> <u>June 30, 2017</u>		<u>Year Ended</u> <u>June 30, 2018</u>		<u>Balance at</u> <u>June 30, 2018</u>	
	<u>Noncurrent</u> <u>Portion</u>	<u>Current</u> <u>Portion</u>	<u>Additions</u>	<u>Payments</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Notes payable	\$ 11,794,297	\$ 4,754,949	\$ -	\$ (6,015,032)	\$ 2,266,908	\$ 8,267,306
Accrued compensated absences	1,731,519	824,813	233,465	(51,704)	753,959	1,984,134
Other Long Term Liabilities	<u>57,777</u>	<u>-</u>	<u>6,013</u>	<u>(7,300)</u>	<u>-</u>	<u>71,090</u>
	<u>\$ 13,583,593</u>	<u>\$ 5,579,762</u>	<u>\$ 239,478</u>	<u>\$ (6,074,036)</u>	<u>\$ 3,020,867</u>	<u>\$ 10,322,530</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, 2018 were \$12,556,325. HUD also contributed additional funds through the Capital fund for modernization and operations in the amount of \$4,778,967.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
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O - Annual Contributions by Federal Agencies

Annual Contributions Contract A-3159 - Annual Contributions Contract A-3159 for Section 8 programs provide 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.

HUD Section 8 contributions for the year ended June 30, 2018 were as follows:

Housing Choice Voucher Cluster	\$ 23,851,616
Section 8 Project-based Special Allocations (Multi-family)	1,439,635
Other Section 8 Programs	<u>498,133</u>
	<u>\$ 25,789,384</u>

Other Federal Revenue – HUD also contributed \$184,504 in CDBG funds through the City of Knoxville and \$49,442 for Family Self-Sufficiency Service Coordinator.

- P – Contribution Plan:** KCDC provides retirement 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 this 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 2018 was \$7,310,821. Payroll covered by the pension plan was \$6,794,871. KCDC made the required contributions amounting to \$796,244, and employees made elective contributions of \$13,250.

- 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 \$20 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. 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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
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(Continued)

Q - Post-Employment Health Plan Benefits:

KCDC funds the program in a fixed amount per month per participant and has met 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 74% 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: 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. Three of KCDC's multi-family housing projects received management and occupancy reviews by HUD. Corrective actions have been undertaken for issues raised by these reviews.

Under the terms of Guaranty Agreements with its discretely presented component unit limited partnerships, KCDC is guarantor for liabilities arising from nonperformance by the general partners regarding development, unfunded debt obligations and liquidity. These Agreements require KCDC to maintain minimum liquidity amounts ranging from \$250,000 to \$1,500,000.

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.

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 \$1,156,800 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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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- 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 - Decrease in Net Position:** The FY 2018 decrease in net position is due to the disposition of properties in accordance with HUD's RAD guidelines for conversion of public housing assets. No KCDC funds incurred operating losses in the current fiscal year.
- Y - Other Leases:** KCDC previously 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. The LPs completed their primary objective and were dissolved in the current year. Ground leases in effect as of June 30, 2018 are as follows:

Lonsdale LP Prepaid Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated August 25, 2017. The lease calls for annual payments of \$88,000 for a period of 75 years. The Partnership has paid lease payments in advance by issuing notes payable to KCDC. The prepaid ground lease is amortized over 75 years using the straight-line method.

North Ridge Crossing LP Prepaid Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated August 25, 2017. The lease calls for annual payments of \$142,667 for a period of 75 years. The Partnership has paid lease payments in advance by issuing notes payable to KCDC. The prepaid ground lease is amortized over 75 years using the straight-line method.

Vista at Summit Hill LP Prepaid Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated August 25, 2017. The lease calls for annual payments of \$66,667 for a period of 75 years. The Partnership has paid lease payments in advance by issuing notes payable to KCDC. The prepaid ground lease is amortized over 75 years using the straight-line method.

Eastport Development LP Ground Lease

The Partnership has entered into a ground lease agreement with KCDC. The lease calls for annual payment of \$10 for a period of 89 years.

Five Points I LP Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated April 29, 2016. The lease calls for annual payments of \$1 for a period of 75 years.

- Z - 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 the Date of the Independent Auditors Report 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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
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(Continued)

AA - Condensed Statement - Component Unit:

Condensed Schedule of Net Position

	Primary Government Excluding Blended Component Unit	Blended Component Units												Combined Blended Component Unit and Primary Government	
		Knoxville Housing Development Corporation	Passport Development Corporation	Five Points I Corporation	Five Points II Corporation	Five Points III Corporation	Passport Housing Corporation	Passport Homes LP	Passport Residences LP	Family Investment Foundation	Five Points IV Corporation	Townview Towers AHC	Montgomery Village Corporation	Total	
ASSETS															
Current assets	\$ 28,090,197	\$ 10,107,634	\$ 644,227	\$ 470,492	\$ 161,301	\$ 486,427	\$ 854,593	\$ -	\$ -	\$ 23,001	\$ 3,334	\$ -	\$ (33,333)	\$ 12,717,676	\$ 40,807,873
Capital assets	33,029,629	8,333,133	-	-	-	27,125	-	-	-	-	65,723	-	168,152	8,594,133	41,623,762
Other assets	5,558,023	128,651	763,083	-	1,291,177	661,556	-	-	-	-	-	(422)	-	2,844,045	8,402,068
Deferred outflow of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	66,677,849	18,569,418	1,407,310	470,492	1,452,478	1,175,108	854,593	-	-	23,001	69,057	(422)	134,819	24,155,854	90,833,703
LIABILITIES															
Current liabilities	\$ 4,531,085	\$ 379,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,334	\$ -	\$ 51	\$ 382,637	\$ 4,913,722
Long-Term liabilities	8,745,071	1,577,459	-	-	-	-	-	-	-	-	-	-	-	1,577,459	10,322,530
Deferred inflow of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	13,276,156	1,956,711	-	-	-	-	-	-	-	-	3,334	-	51	1,960,096	15,236,252
NET POSITION															
Net investment in capital assets	24,220,617	6,607,931	-	-	-	27,125	-	-	-	-	65,723	-	168,152	6,868,931	31,089,548
Restricted	28,481	-	-	-	-	-	-	-	-	-	-	-	-	-	28,481
Unrestricted	29,152,595	10,004,776	1,407,310	470,492	1,452,478	1,147,983	854,593	-	-	23,001	-	(422)	(33,384)	15,326,827	44,479,422
Total Net Position	53,401,693	16,612,707	1,407,310	470,492	1,452,478	1,175,108	854,593	-	-	23,001	65,723	(422)	134,768	22,195,758	75,597,451
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 66,677,849	\$ 18,569,418	\$ 1,407,310	\$ 470,492	\$ 1,452,478	\$ 1,175,108	\$ 854,593	\$ -	\$ -	\$ 23,001	\$ 69,057	\$ (422)	\$ 134,819	\$ 24,155,854	\$ 90,833,703

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

AA - Condensed Statement - Component Unit:

Condensed Schedule of Revenue, Expenses and Changes in Net Position

	Primary Government Excluding Blended Component Unit	Blended Component Units												Combined Blended Component Unit and Primary Government	
		Knoxville Housing Development Corporation	Passport Development Corporation	Five Points I Corporation	Five Points II Corporation	Five Points III Corporation	Passport Housing Corporation	Passport Homes LP	Passport Residences LP	Family Investment Foundation	Five Points IV Corporation	Townview Towers AHC	Montgomery Village Corporation	Total	
Operating revenues	\$ 49,396,059	\$ 2,965,834	\$ -	\$ 799,086	\$ -	\$ 1,285,359	\$ 869,097	\$ -	\$ 128,287	\$ -	\$ -	\$ 202,725	\$ -	\$ 6,250,388	\$ 55,646,447
Operating expenses	46,519,057	523,711	20,893	425,767	126,757	60,251	91	-	136,721	21	-	442	-	1,294,654	47,813,711
Operating income/(loss)	2,877,002	2,442,123	(20,893)	373,319	(126,757)	1,225,108	869,006	-	(8,434)	(21)	-	202,283	-	4,955,734	7,832,736
Non-operating revenues/(expenses)	(18,344,015)	(13,968)	4,288	22	21	-	(14,413)	-	523,522	7	-	-	-	499,479	(17,844,536)
Capital contributions	2,137,235	-	-	-	-	-	-	-	-	-	-	-	-	-	2,137,235
Transfers from (to) other programs or entities	(2,235,262)	3,931,722	-	-	-	(383,744)	(1,310,502)	-	-	-	65,723	(202,705)	134,768	2,235,262	-
Transfers from (to) other programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special items	(2,187,067)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,187,067)
Increase (decrease) in net position	(17,752,107)	6,359,877	(16,605)	373,341	(126,736)	841,364	(455,909)	-	515,088	(14)	65,723	(422)	134,768	7,690,475	(10,061,632)
Net position, beginning of year	71,153,800	10,252,830	1,423,915	97,151	1,579,214	333,744	1,310,502	-	(515,088)	23,015	-	-	-	14,505,283	85,659,083
Net position, end of year	\$ 53,401,693	\$ 16,612,707	\$ 1,407,310	\$ 470,492	\$ 1,452,478	\$ 1,175,108	\$ 854,593	\$ -	\$ -	\$ 23,001	\$ 65,723	\$ (422)	\$ 134,768	\$ 22,195,758	\$ 75,597,451

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

AA - Condensed Statement - Component Unit:

Condensed Schedule of Revenue, Expenses and Changes in Net Position

	Primary Government Excluding Blended Component Unit	Blended Component Units												Combined Blended Component Unit and Primary Government	
		Knoxville Housing Development Corporation	Passport Development Corporation	Five Points I Corporation	Five Points II Corporation	Five Points III Corporation	Passport Housing Corporation	Passport Homes LP	Passport Residences LP	Family Investment Foundation	Five Points IV Corporation	Townview Towers AHC	Montgomery Village Corporation		Total
Net cash provided (used) by operating activities	\$ 5,643,208	\$ 6,247,558	\$ 57,405	\$ 373,316	\$ (114,614)	\$ 778,964	\$ (442,057)	\$ -	\$ (110,236)	\$ (21)	\$ 69,057	\$ (422)	\$ 134,819	\$ 6,993,769	\$ 12,636,977
Net cash provided (used) by capital and related financing activities	(5,825,782)	(2,899,452)	-	-	-	306,619	1,296,089	-	8,077	-	(65,723)	-	(168,152)	(1,522,542)	(7,348,324)
Net cash provided (used) by investing activities	(3,617,635)	130,486	(123,656)	22	21	(661,556)	-	-	30	7	-	422	-	(654,224)	(4,271,859)
Net increase (decrease) in cash and cash equivalents	(3,800,209)	3,478,592	(66,251)	373,338	(114,593)	424,027	854,032	-	(102,129)	(14)	3,334	-	(33,333)	4,817,003	1,016,794
Balance - beginning of the year	18,064,983	726,690	377,906	97,153	275,894	62,400	561	-	102,129	23,015	-	-	-	1,665,748	19,730,731
Balance - end of the year	\$ 14,264,774	\$ 4,205,282	\$ 311,655	\$ 470,491	\$ 161,301	\$ 486,427	\$ 854,593	\$ -	\$ -	\$ 23,001	\$ 3,334	\$ -	\$ (33,333)	\$ 6,482,751	\$ 20,747,525

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

AA - Condensed Statement - Component Unit

Discretely Presented Component Unit

	Discretely Presented Component Unit					
	Five Points I LP	Lonsdale LP	North Ridge Crossing LP	Vista at Summit Hill LP	Eastport Development	Total
ASSETS						
Current assets	\$ 486,252	\$ 16,436,843	\$ 18,985,579	\$ 11,428,212	\$ 264,179	\$ 47,601,065
Capital assets	9,960,215	8,176,469	7,990,356	5,987,505	7,701,125	39,815,670
Other assets	115,718	1,239,574	658,256	885,347	36,040	2,934,935
Deferred outflow of resources	-	-	-	-	-	-
Total Assets	10,562,185	25,852,886	27,634,191	18,301,064	8,001,344	90,351,670
LIABILITIES						
Current liabilities	\$ 2,020,625	\$ 777,450	\$ 823,567	\$ 646,088	\$ 34,329	\$ 4,302,059
Long-Term liabilities	308,309	24,134,222	25,578,642	17,065,986	4,994,061	72,081,220
Total Liabilities	2,328,934	24,911,672	26,402,209	17,712,074	5,028,390	76,383,279
Deferred inflow of resources	-	-	-	-	-	-
NET POSITION						
Unrestricted	8,233,251	941,214	1,231,982	588,990	2,972,954	13,968,391
Total Net Position	8,233,251	941,214	1,231,982	588,990	2,972,954	13,968,391
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 10,562,185	\$ 25,852,886	\$ 27,634,191	\$ 18,301,064	\$ 8,001,344	\$ 90,351,670

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

· **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2018

(Continued)

AA - Condensed Statement - Component Unit

	Discrete Component Units					
	Five Points I LP	Lonsdale LP	North Ridge Crossing LP	Vista at Summit Hill LP	Eastport Development LP	Total
Operating revenues	\$ 336,977	\$ 552,813	\$ 633,112	\$ 332,549	\$ 297,825	\$ 2,153,276
Operating expenses	380,459	443,032	531,184	316,318	542,629	2,213,622
Operating income/(loss)	(43,482)	109,781	101,928	16,231	(244,804)	(60,346)
Non-operating revenues/(expenses)	(13,475)	(60,309)	(50,356)	(44,152)	(1,222)	(169,514)
Capital contributions	8,290,208	891,742	1,180,410	616,911	3,218,980	14,198,251
Increase (decrease) in net position	8,233,251	941,214	1,231,982	588,990	2,972,954	13,968,391
Net position, beginning of year	-	-	-	-	-	-
Net position, end of year	\$ 8,233,251	\$ 941,214	\$ 1,231,982	\$ 588,990	\$ 2,972,954	\$ 13,968,391

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)

AA - Condensed Statement - Component Unit

	Discrete Component Units					Total
	Five Points I LP	Lonsdale LP	North Ridge Crossing LP	Vista at Summit Hill LP	Eastport Development LP	
Net cash provided (used) by operating activities	\$ 314,242	\$ (490,357)	\$ 143,940	\$ (322,274)	\$ 33,135	\$ (321,314)
Net cash provided (used) by capital and related financing activities	153,316	16,912,786	18,821,794	11,738,523	228,304	47,854,723
Net cash provided (used) by investing activities	3	783	752	609	332	2,479
Net increase (decrease) in cash and cash equivalents	467,561	16,423,212	18,966,486	11,416,858	261,771	47,535,888
Balance - beginning of the year	-	-	-	-	-	-
Balance - end of the year	\$ 467,561	\$ 16,423,212	\$ 18,966,486	\$ 11,416,858	\$ 261,771	\$ 47,535,888

SUPPLEMENTAL INFORMATION

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2018

	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	14.879 Mainstream Voucher Program	14.218 Community Development Block Grants/ Entitlement Grants	6.2 Component Unit - Blended	State & Local Programs	1 Business Activities	14.195 Section 8 Housing Assistance Program - Special Allocations	14.856 Section 8 Lower Income Housing Assistance Program - Moderate Rehabilitation	COCC	Eliminations	Total	Discretely Presented Component Unit
ASSETS													
Current assets													
Cash and cash equivalents, unrestricted	\$ 7,322,229	\$ 485,778	\$ -	\$ -	\$ 6,471,904	\$ 295,128	\$ 131,410	\$ 238,592	\$ 94,671	\$ 2,953,040	\$ -	\$ 18,000,788	\$ 533,018
Cash and cash equivalents, restricted	803,950	96,852	-	-	10,847	-	-	1,835,088	-	-	-	2,746,737	47,002,870
Investments, unrestricted	6,322,042	311,499	-	-	5,339,941	244,166	61,716	1,649,154	100,245	2,882,542	-	16,925,400	-
Investments, restricted	-	14,401	-	-	-	-	-	-	-	-	-	14,401	-
Accrued interest receivable	7,880	406	-	-	84,035	304	77	2,056	155	10,267	-	105,198	-
Accounts receivable, net of allowance	60,616	2,618	-	-	63,913	-	5,834	14,708	366	1,223,328	-	1,371,383	18,599
Due from other governments	153,859	21,675	-	-	746,160	80,868	-	148,943	8,097	-	-	1,165,346	-
Inventories, net of obsolescence	18,404	-	-	-	-	-	-	1,877	-	22,188	-	42,469	-
Prepaid expense	100,493	10,387	-	-	876	11,135	-	28,818	-	25,242	-	176,951	46,578
Assets held for conveyance	-	-	-	-	-	259,200	-	-	-	-	-	259,200	-
Total current assets	14,789,473	943,616	-	-	12,717,676	890,801	199,037	3,919,436	203,534	7,116,607	-	40,807,873	47,601,065
Noncurrent assets													
Other assets													
Notes and mortgages receivable	4,158,273	-	-	-	2,831,384	-	-	-	-	-	-	6,989,657	-
Investments in joint ventures	-	-	-	-	12,661	-	-	-	-	-	-	12,661	-
Total other assets	4,158,273	-	-	-	2,844,045	-	-	-	-	-	-	7,002,318	-
Capital assets													
Not being depreciated	4,854,202	-	-	-	6,074,037	214,400	-	849,098	-	-	-	11,991,737	10,184,023
Depreciable, net	17,534,527	-	-	-	2,520,096	-	-	9,525,779	-	51,623	-	29,632,025	29,631,647
Total capital assets, net	22,388,729	-	-	-	8,594,133	214,400	-	10,374,877	-	51,623	-	41,623,762	39,815,670
Other noncurrent assets													
Assets held for conveyance	-	-	-	-	-	1,399,750	-	-	-	-	-	1,399,750	2,934,935
Total noncurrent assets	26,547,002	-	-	-	11,438,178	1,614,150	-	10,374,877	-	51,623	-	50,025,530	42,750,605
Total assets	41,336,475	943,616	-	-	27,893	24,155,854	199,037	14,294,113	203,534	7,168,230	-	90,833,703	90,351,670
Deferred Outflow of Resources													
Total Assets and Deferred Outflow of Resources	41,336,475	943,616	-	-	27,893	24,155,854	199,037	14,294,113	203,534	7,168,230	-	90,833,703	90,351,670

LIABILITIES													
Current liabilities													
Vendors and contractors payable	77,339	13,346	-	-	-	205,706	4,467	5,351	3,872	-	28,854	-	338,975
Accrued wages/taxes payable	70,311	16,003	-	-	-	959	1,296	1,888	11,168	-	77,950	-	179,575
Accrued compensated absences	267,206	50,792	-	-	-	2,987	8,060	18,884	57,857	-	348,173	-	753,959
Accrued interest payable	130,143	-	-	-	-	3,830	-	-	-	-	-	-	308,215
Due to other governments	125,164	142	-	-	-	-	-	-	12,931	-	4,918	-	143,155
Unamed revenue	399,388	-	-	-	-	2,372	44,991	-	36,923	-	-	-	484,240
Notes and bonds payable	2,111,226	-	-	-	-	155,682	-	-	-	-	366	-	2,266,908
Other current liabilities	7,084	11,682	-	-	-	-	-	147	-	-	-	-	18,913
Other accrued liabilities	309,443	5,435	-	-	-	214	345	1,158	40,018	-	50,500	-	407,113
Resident security deposits	147,507	-	-	-	-	10,847	-	-	28,557	-	-	-	186,911
Total current liabilities	3,645,011	97,400	-	-	-	382,637	59,159	27,428	191,326	-	5,284	505,477	4,913,722
Noncurrent liabilities													
Notes and bonds payable	6,449,087	-	-	-	-	1,569,520	-	-	248,699	-	-	-	8,267,306
Accrued compensated absences	693,484	130,202	-	-	-	7,939	20,210	49,480	153,115	-	929,704	-	1,984,134
Other accrued liabilities	-	71,090	-	-	-	-	-	-	-	-	-	-	71,090
Total noncurrent liabilities	7,142,571	201,292	-	-	-	1,577,459	20,210	49,480	401,814	-	929,704	-	10,372,530
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflow of Resources													
Total Liabilities and Deferred Inflow of Resources	10,787,582	298,692	-	-	-	1,960,096	79,369	76,908	593,140	-	1,435,181	-	15,236,252
NET POSITION													
Net investment in capital assets	13,828,416	-	-	-	-	6,868,931	214,400	-	10,126,178	-	51,623	-	31,089,548
Restricted	-	28,481	-	-	-	-	-	-	-	-	-	-	28,481
Unrestricted	16,720,477	616,443	-	-	27,893	15,326,827	2,211,182	122,129	3,574,795	-	198,250	5,681,426	44,479,422
Total net position	\$ 30,548,893	\$ 644,924	\$ -	\$ -	\$ 27,893	\$ 22,195,758	\$ 2,425,582	\$ 122,129	\$ 13,700,973	\$ -	\$ 5,733,049	\$ -	\$ 75,597,451
													\$ 13,968,391
													\$ 13,968,391

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

COMBINING SCHEDULE OF REVENUES, EXPENSED AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	14.218 Community Development Block Grants/ Entitlement Grants	14.879 Mainstream Voucher Program	6.2 Component Unit - Blended	State & Local Programs	I Business Activities	14.195 Section 8 Housing Assistance Payments Program - Special Allocations	14.856 Section 8 Lower Income Housing Assistance Program - Moderate Rehabilitation	COC	Eliminations	Total 2018	Discretely Presented Component Unit
Operating revenues													
Rental revenue	\$ 4,037,552	\$ -	\$ -	\$ -	\$ 30,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,594,663	\$ 743,739
Fee revenue	-	-	-	-	-	-	-	-	-	4,151,577	(3,790,242)	361,335	-
HUD grants	15,198,057	23,305,029	49,442	546,587	-	-	-	1,439,635	498,133	-	-	41,036,883	-
Other governmental grants	-	-	-	-	-	-	-	-	-	-	-	184,504	1,387,013
Other revenue	392,175	23,528	-	-	6,199,877	2,623,883	263,092	39,065	-	262,923	(335,471)	9,469,062	22,524
Total operating revenues	19,627,784	23,328,557	49,442	546,587	6,250,388	2,623,883	263,082	1,985,300	498,133	4,414,500	(4,125,713)	55,646,447	2,153,276
Operating expenses													
Administrative	4,766,438	1,696,896	-	57,023	817,990	154,807	6,184	518,251	64,224	3,350,101	(2,925,294)	8,506,620	649,534
Asset management fee	278,010	-	-	-	2,640	-	-	-	-	-	(280,650)	-	42,840
Tenant services	362,392	6,161	49,442	-	-	-	259,772	174	-	70,926	-	677,941	-
Utilities	2,853,149	-	-	-	829	1,439	-	312,500	-	594,936	-	3,238,843	380,838
Ordinary maintenance & operation	3,774,181	737	-	-	-	3,857	1,995	782,229	-	-	(584,298)	4,759,235	244,278
Protective services	399,702	-	-	-	165,598	-	-	25,363	-	-	-	434,142	63,763
Insurance	255,365	22,133	-	-	9,077	-	-	37,250	-	31,682	-	355,320	37,048
General expenses	1,171,698	156,780	-	-	7,503	1,268	319	79,125	-	299,164	(335,471)	1,429,535	277,569
Housing assistance payments	1,479,749	21,708,035	-	-	38,542	10,450	9,247	-	-	-	-	24,106,619	-
Depreciation	2,705,595	-	-	483,321	-	-	-	1,341,134	433,314	25,652	-	4,325,256	517,752
Total operating expenses	18,046,679	23,590,742	49,442	540,544	1,294,654	171,821	277,517	3,096,026	499,538	4,372,461	(4,125,713)	47,813,711	2,213,622
Operating income (loss)	1,581,105	(262,185)	-	6,043	4,955,734	2,452,062	(14,435)	(1,110,726)	(1,405)	42,039	-	7,832,736	(60,346)
Nonoperating revenues (expenses)													
Interest revenue, unrestricted	77,089	3,546	-	143	52,873	1,636	868	17,294	1,678	35,821	-	190,948	2,479
Interest revenue, restricted	5,021	-	-	-	-	-	-	421	-	-	-	5,442	-
Interest expense	(448,401)	-	-	-	(84,230)	-	-	-	-	-	-	(532,631)	(171,993)
Fraud recovery	28,344	73,328	-	-	-	-	-	8,743	382	-	-	110,997	-
Extraordinary maintenance	(19,801)	-	-	-	-	-	-	-	-	(1,000)	-	(20,801)	-
Gain/(loss) on disposition of capital assets	(18,141,128)	-	-	-	530,836	-	-	-	-	11,801	-	(17,598,491)	-
Total nonoperating revenues and transfers	(18,498,676)	76,874	-	143	499,479	1,636	868	26,458	2,060	46,622	-	(17,844,536)	(169,514)
Income (loss) before contributions and transfers	(16,917,571)	(185,311)	-	184,504	5,455,213	2,453,698	(13,567)	(1,084,268)	655	88,661	-	(10,011,800)	(229,860)
Capital contributions	2,137,235	-	-	-	-	-	-	-	-	-	-	2,137,235	14,198,251
Transfers from (to) other programs or entities	-	-	-	-	2,235,262	(2,235,262)	-	-	-	-	-	-	-
Transfers from (to) other programs	(4,907,655)	-	-	(184,504)	-	-	-	5,092,159	-	-	-	-	-
Special items	(2,115,717)	-	-	-	-	(71,350)	-	-	-	-	-	(2,187,067)	-
Increase (decrease) in net position	(21,803,708)	(185,311)	-	6,186	7,690,475	147,086	(13,567)	4,007,891	655	88,661	-	(10,061,632)	13,968,391
Net position, beginning of year	52,357,601	830,235	-	21,707	14,505,283	2,278,496	135,696	9,693,082	197,595	5,644,388	-	85,659,083	-
Net position, end of year	\$ 30,548,893	\$ 644,924	\$ -	\$ 27,893	\$ 22,195,758	\$ 2,425,582	\$ 122,129	\$ 13,700,973	\$ 198,250	\$ 5,733,049	\$ -	\$ 75,597,451	\$ 13,968,391

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	Project Total	6.2 Component Unit - Bonded	2 State/Local	14.886 PIH Family Self-Sufficiency Program	1 Business Activities	14.165 Section 8 Housing Assistance Payments Program - Special Allocations	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.858 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$7,322,229	\$6,471,904	\$295,128	\$0	\$131,410	\$238,592	\$0	\$485,778	\$533,018	\$94,671	\$2,953,040	\$18,533,806		\$18,533,806
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$47,002,870	\$0	\$47,002,870	\$47,002,870		\$47,002,870
113 Cash - Other Restricted	\$656,442	\$0	\$0	\$0	\$0	\$1,606,531	\$0	\$87,260	\$0	\$0	\$2,550,233	\$2,550,233		\$2,550,233
114 Cash - Tenant Security Deposits	\$147,508	\$10,647	\$0	\$0	\$0	\$28,557	\$0	\$0	\$0	\$0	\$186,912	\$186,912		\$186,912
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,592	\$0	\$0	\$9,592	\$9,592		\$9,592
100 Total Cash	\$8,126,179	\$6,482,751	\$295,128	\$0	\$131,410	\$2,073,680	\$0	\$582,630	\$47,535,888	\$94,671	\$2,953,040	\$68,283,413	\$0	\$68,283,413
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$153,859	\$0	\$0	\$0	\$0	\$148,943	\$0	\$21,675	\$0	\$8,097	\$0	\$38,318		\$38,318
124 Accounts Receivable - Other Government	\$0	\$746,160	\$80,888	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$827,028		\$827,028
125 Accounts Receivable - Miscellaneous	\$1,250	\$62,000	\$0	\$0	\$5,834	\$0	\$0	\$2,618	\$0	\$0	\$1,223,328	\$1,295,030		\$1,295,030
126 Accounts Receivable - Tenants	\$89,293	\$2,349	\$0	\$0	\$0	\$18,694	\$0	\$0	\$18,599	\$0	\$128,935	\$129,935		\$129,935
128.1 Allowance for Doubtful Accounts - Tenants	\$-31,379	\$-436	\$0	\$0	\$0	\$-55,087	\$0	\$0	\$0	\$0	\$-36,902	\$-36,902		\$-36,902
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
128 Fraud Recovery	\$1,452	\$0	\$0	\$0	\$0	\$101	\$0	\$14,349	\$0	\$366	\$16,268	\$16,268		\$16,268
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$-14,349	\$0	\$0	\$-14,349	\$-14,349		\$-14,349
129 Accrued Interest Receivable	\$7,880	\$84,035	\$304	\$0	\$77	\$2,066	\$0	\$406	\$155	\$155	\$10,267	\$105,198		\$105,198
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$222,355	\$894,108	\$81,172	\$0	\$5,911	\$165,707	\$0	\$24,699	\$18,599	\$8,618	\$1,233,595	\$2,660,526	\$0	\$2,660,526
131 Investments - Unrestricted	\$5,322,042	\$5,339,941	\$244,166	\$0	\$61,716	\$1,649,154	\$0	\$311,499	\$100,245	\$2,882,542	\$16,925,400	\$16,925,400		\$16,925,400
132 Investments - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,401	\$0	\$0	\$14,401	\$14,401		\$14,401
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
142 Prepaid Expenses and Other Assets	\$100,493	\$876	\$11,135	\$0	\$0	\$28,818	\$0	\$10,387	\$46,578	\$0	\$25,242	\$23,529		\$23,529
143 Inventories	\$18,404	\$0	\$0	\$0	\$0	\$1,877	\$0	\$0	\$0	\$0	\$22,189	\$42,469		\$42,469
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
144 Int'l Program Due From	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
145 Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
150 Total Current Assets	\$14,789,473	\$12,717,576	\$890,601	\$0	\$199,037	\$3,919,236	\$0	\$943,616	\$47,801,085	\$203,534	\$7,116,607	\$88,408,938	\$0	\$88,408,938
161 Land	\$2,321,678	\$227,388	\$214,400	\$0	\$0	\$549,098	\$0	\$0	\$1,292,308	\$0	\$0	\$4,904,872		\$4,904,872
162 Buildings	\$116,895,832	\$5,690,349	\$0	\$0	\$0	\$28,897,191	\$0	\$0	\$31,397,491	\$0	\$18,119	\$182,898,982		\$182,898,982
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$493,999	\$18,433	\$0	\$0	\$0	\$31,399	\$0	\$0	\$129,900	\$0	\$1,022,061	\$1,695,392		\$1,695,392
165 Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
166 Accumulated Depreciation	\$-99,854,904	\$-3,188,696	\$0	\$0	\$0	\$-19,402,811	\$0	\$0	\$-1,085,744	\$0	\$-988,557	\$-125,330,702		\$-125,330,702
167 Construction in Progress	\$2,532,524	\$5,846,648	\$0	\$0	\$0	\$0	\$0	\$0	\$8,891,715	\$0	\$17,270,888	\$17,270,888		\$17,270,888
168 Infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$22,388,729	\$8,594,133	\$714,400	\$0	\$0	\$10,374,877	\$0	\$0	\$39,815,670	\$0	\$51,623	\$81,438,432	\$0	\$81,438,432

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	Project Total	6.2 Component Unit - Blended	2 State/ Local	14.856 PIH Family Self- Sufficiency Program	1 Business Activities	14.195 Section 8 Housing Assistance Payments Program - Special Allocations	14.879 Mainstream Vouchers	14.218 Community Development Block Grants/ Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	14.856 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$4,037,552	\$50,511	\$0	\$0	\$0	\$508,600	\$0	\$0	\$0	\$743,739	\$0		\$5,338,402		\$5,338,402
70400 Tenant Revenue - Other	\$183,948	\$3,343	\$0	\$0	\$0	\$14,671	\$0	\$0	\$0	\$201,962	\$0		\$201,962		\$201,962
70500 Total Tenant Revenue	\$4,221,500	\$53,854	\$0	\$0	\$0	\$523,271	\$0	\$0	\$0	\$743,739	\$0	\$0	\$5,540,364	\$0	\$5,540,364
70600 HUD PHA Operating Grants	\$15,198,057		\$0	\$48,442	\$0	\$1,439,635	\$546,587	\$0	\$23,305,029		\$498,133		\$41,036,883		\$41,036,883
70610 Capital Grants	\$2,137,235		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,198,251	\$0	\$0	\$16,335,486		\$16,335,486
70700 Management Fee											\$0	\$2,583,079	\$2,583,079	-\$2,363,420	\$219,659
70720 Asset Management Fee											\$0	\$305,650	\$305,650	-\$280,650	\$25,000
70730 Book Keeping Fee											\$0	\$597,587	\$597,587	-\$561,874	\$35,713
70740 Front Line Service Fee											\$0	\$965,261	\$965,261	-\$564,298	\$80,963
70750 Other Fees					\$0						\$0	\$0	\$0		\$0
70700 Total Fee Revenue										\$4,151,577	\$0	\$4,151,577	\$4,151,577	-\$3,790,242	\$361,335
70800 Other Government Grants	\$0		\$0		\$0	\$0	\$0	\$184,504	\$1,387,013		\$0		\$1,571,517		\$1,571,517
71100 Investment Income - Unrestricted	\$77,089	\$52,873	\$1,636	\$0	\$868	\$17,284	\$143	\$0	\$3,546	\$2,479	\$1,678	\$35,921	\$193,427		\$193,427
71200 Mortgage Interest Income	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0		\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0		\$0		\$0
71310 Cost of Sale of Assets	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0		\$0		\$0
71400 Fraud Recovery	\$28,544		\$0	\$0	\$0	\$8,743	\$0	\$0	\$73,328		\$382		\$110,997		\$110,997
71500 Other Revenue	\$208,227	\$6,196,534	\$2,623,893	\$0	\$263,082	\$24,394	\$0	\$0	\$23,528	\$22,524	\$0	\$262,823	\$9,625,095	-\$335,471	\$9,289,624
71600 Gain or Loss on Sale of Capital Assets	-\$18,141,128	\$530,836	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,801	\$0	\$11,801	-\$17,598,491		-\$17,598,491
72000 Investment Income - Restricted	\$5,021		\$0	\$0	\$0	\$421	\$0	\$0	\$0		\$0		\$5,442		\$5,442
70000 Total Revenue	\$3,734,545	\$6,834,097	\$2,625,519	\$49,442	\$263,950	\$2,011,758	\$546,730	\$184,504	\$23,405,431	\$16,354,006	\$500,193	\$4,462,122	\$60,972,297	-\$4,125,713	\$56,846,584
91100 Administrative Salaries	\$1,534,121	\$15,410	\$57,103	\$0	\$1,098	\$200,417	\$32,123	\$0	\$400,156	\$437,969	\$44,213	\$2,062,368	\$4,784,978		\$4,784,978
91200 Auditing Fees	\$27,470	\$5,730	\$180	\$0	\$0	\$2,660	\$1,500	\$0	\$32,100		\$4,000	\$3,285	\$76,915		\$76,915
91300 Management Fee	\$1,600,093	\$21,557	\$56,900	\$0	\$0	\$152,844	\$14,400	\$0	\$507,804	\$124,670	\$9,852		\$2,488,090	-\$2,363,420	\$124,670
91310 Book-keeping Fee	\$204,719	\$1,965	\$0	\$0	\$0	\$22,662	\$9,000	\$0	\$317,378		\$6,159		\$581,883	-\$561,874	\$0
91400 Advertising and Marketing	\$204	\$971	\$0	\$0	\$50	\$12	\$0	\$0	\$213		\$0	\$12,135	\$13,585		\$13,585
91500 Employee Benefit Contributions - Administrative	\$623,989	\$5,003	\$29,481	\$0	\$327	\$95,226	\$0	\$0	\$200,858		\$0	\$703,449	\$1,649,243		\$1,649,243
91600 Office Expenses	\$226,276	\$2,312	\$1,981	\$0	\$4,391	\$30,886	\$0	\$0	\$34,842		\$0	\$383,169	\$733,837		\$733,837
91700 Legal Expense	\$131,167	\$1,158	\$5,913	\$0	\$0	\$15,251	\$0	\$0	\$0		\$0	\$13,834	\$167,323		\$167,323
91800 Travel	\$3,096		\$0	\$0	\$20	\$1,603	\$0	\$0	\$7,584		\$0	\$56,120	\$68,423		\$68,423
91810 Allocated Overhead	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0		\$0		\$0
91900 Other	\$415,423	\$762,884	\$3,259	\$0	\$298	\$6,690	\$0	\$0	\$145,961	\$86,895	\$0	\$115,761	\$1,537,171		\$1,537,171
91000 Total Operating - Administrative	\$4,768,438	\$817,990	\$154,807	\$0	\$6,184	\$518,251	\$57,023	\$0	\$1,896,896	\$949,534	\$64,224	\$3,350,101	\$12,081,448	-\$2,925,294	\$9,156,154
92000 Asset Management Fee															
92100 Tenant Services - Salaries	\$278,010	\$2,840	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$42,840	\$0		\$323,490	-\$280,650	\$42,840
	\$51,208		\$0	\$38,964	\$67,257	\$0	\$0	\$0	\$0		\$0		\$157,430		\$157,430

96900	Total Operating Expenses	\$14,308,336	\$1,126,409	\$171,821	\$49,442	\$277,517	\$1,754,982	\$57,023	\$0	\$1,882,707	\$1,867,863	\$64,224	\$4,346,809	\$25,908,043	-\$4,125,713	\$21,782,330
97000	Excess of Operating Revenue over Operating Expenses	-\$10,574,791	\$5,707,688	\$2,453,688	\$0	-\$13,567	\$256,866	\$489,707	\$184,504	\$21,522,724	\$14,486,143	\$435,969	\$115,313	\$35,064,254	\$0	\$35,064,254
97100	Extraordinary Maintenance	\$14,851		\$0	\$0	\$0	\$0	\$0	\$0			\$0		\$14,851		\$14,851
97200	Casualty Losses - Non-capitalized	\$4,950		\$0	\$0	\$0	\$0	\$0	\$0			\$0	\$1,000	\$5,950		\$5,950
97300	Housing Assistance Payments	\$1,479,749		\$0	\$0	\$0	\$0	\$483,521	\$0	\$21,708,035		\$435,314		\$24,106,619		\$24,106,619
97350	HAP Portability-In	\$0		\$0	\$0	\$0	\$0	\$0	\$0			\$0		\$0		\$0
97400	Depreciation Expense	\$2,705,995	\$252,475	\$0	\$0	\$0	\$1,341,134	\$0	\$0	\$0	\$517,752	\$0	\$25,652	\$4,843,008		\$4,843,008
97500	Fraud Losses	\$0		\$0	\$0	\$0	\$0	\$0	\$0			\$0		\$0		\$0
97600	Capital Outlays - Governmental Funds															
97700	Debt Principal Payment - Governmental Funds															
97800	Dwelling Units Rent Expense	\$0		\$0	\$0	\$0	\$0	\$0	\$0			\$0		\$0		\$0
90000	Total Expenses	\$18,514,881	\$1,378,884	\$171,821	\$49,442	\$277,517	\$3,096,026	\$540,544	\$0	\$23,590,742	\$2,385,615	\$499,538	\$4,373,461	\$54,878,471	-\$4,125,713	\$50,752,758
10010	Operating Transfer In	\$2,056,872	\$4,332,724	\$202,725	\$0	\$0	\$0	\$0	\$0					\$6,592,321		\$6,592,321
10020	Operating Transfer Out	-\$2,056,872	-\$2,087,462	-\$2,437,887	\$0	\$0	\$0	\$0	\$0			\$0		-\$9,592,321		-\$9,592,321
10030	Operating Transfers from/to Primary Government	\$0		\$0	\$0	\$0	\$0	\$0	\$0			\$0	\$0	\$0		\$0
10040	Operating Transfers from/to Component Unit	\$0		\$0	\$0	\$0	\$0	\$0	\$0			\$0	\$0	\$0		\$0
10050	Proceeds from Notes, Loans and Bonds															
10060	Proceeds from Property Sales															
10070	Extraordinary Items, Net Gain/Loss	\$0		-\$71,350	\$0	\$0	\$0	\$0	\$0			\$0		-\$71,350		-\$71,350
10080	Special Items (Net Gain/Loss)	-\$2,115,717		\$0	\$0	\$0	\$0	\$0	\$0					-\$2,115,717		-\$2,115,717
10091	Inter Project Excess Cash Transfer In	\$2,672,406												\$2,672,406		\$2,672,406
10092	Inter Project Excess Cash Transfer Out	-\$2,672,406												-\$2,672,406		-\$2,672,406
10093	Transfers between Program and Project - In	\$0			\$0	\$0	\$871,007	\$0	\$0			\$0		\$871,007		\$871,007
10094	Transfers between Project and Program - Out	-\$886,503			\$0	\$0	\$0	\$0	-\$184,504			\$0		-\$871,007		-\$871,007
10100	Total Other financing Sources (Uses)	-\$2,802,220	\$2,235,262	-\$2,308,812	\$0	\$0	\$871,007	\$0	-\$184,504	\$0	\$0	\$0	\$0	-\$2,187,067	\$0	-\$2,187,067
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$17,582,556	\$7,690,475	\$147,088	\$0	-\$13,567	-\$213,261	\$6,186	\$0	-\$195,311	\$13,968,391	\$655	\$88,891	\$3,906,759	\$0	\$3,906,759
11020	Required Annual Debt Principal Payments	\$6,775,246	\$0		\$0	\$0	\$0	\$0	\$0							
11030	Beginning Equity	\$52,352,801	\$14,505,283	\$2,278,406	\$0	\$135,695	\$9,693,082	\$21,707	\$0	\$830,235	\$0	\$197,595	\$5,644,388	\$8,891,964		\$8,891,964
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$4,221,152	\$0	\$0	\$0	\$0	\$4,221,152	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$85,659,083
11050	Changes in Compensated Absence Balance															\$0
11060	Changes in Contingent Liability Balance															
11070	Changes in Unrecognized Pension Transition Liability															
11080	Changes in Special Term/Severance Benefits Liability															
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents															
11100	Changes in Allowance for Doubtful Accounts - Other															
11170	Administrative Fee Equity										\$616,443	\$0		\$616,443		\$616,443
11180	Housing Assistance Payments Equity										\$28,481	\$0		\$28,481		\$28,481
11190	Unit Months Available	29390	264	0	0	0	4169	1200	0	42359	3096	984		81452		81452

11210	Number of Unit Months Leased	27297	262	0	0	0	0	0	4117	1200	0	42317	2532	821	78546	78546
11270	Excess Cash	\$9,242,340												\$0	\$9,242,340	\$9,242,340
11610	Land Purchases	\$0												\$0	\$0	\$0
11620	Building Purchases	\$1,373,958												\$0	\$1,373,958	\$1,373,958
11630	Furniture & Equipment - Dwelling Purchases	\$0												\$0	\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$38,469												\$0	\$38,469	\$38,469
11650	Leasehold Improvements Purchases	\$0												\$0	\$0	\$0
11660	Infrastructure Purchases	\$0												\$0	\$0	\$0
13510	CFPP Debt Service Payments	\$4,070,301												\$0	\$4,070,301	\$4,070,301
13901	Replacement Housing Factor Funds	\$1,396,196												\$0	\$1,396,196	\$1,396,196

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS
JUNE 30, 2018

PROGRAM	TN37P00350113 CFP 501-13	TN37R00350100 CFP R 501-00	TN37R00350101 CFP R 501-01	TN37R00350102 CFP R 501-02	TN37R00350103 CFP R 501-03	TN37R00350105 CFP R 501-05	TN37R00350106 CFP R 501-06
Funds approved	\$ 4,176,661	\$ 473,434	\$ 483,164	\$ 459,254	\$ 356,554	\$ 98,348	\$ 423,561
Funds expended	4,176,661	473,434	483,164	459,254	356,554	98,348	423,561
Excess of funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Funds advanced	\$ 4,176,661	\$ 473,434	\$ 483,164	\$ 459,254	\$ 356,554	\$ 98,348	\$ 423,561
Funds expended	4,176,661	473,434	483,164	459,254	356,554	98,348	423,561
Excess of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PROGRAM	TN37R00350107 CFP R 501-07	TN37R00350109 CFP R 501-09	TN37R00350113 CFP R 501-13	TN37R00350114 CFP R 501-14	TN37R00350115 CFP R 501-15	TN37R00350209 CFP R 502-09	TN37R00350210 CFP R 502-10
Funds approved	\$ 430,111	\$ 280,542	\$ 443,922	\$ 385,749	\$ 398,946	\$ 145,815	\$ 167,982
Funds expended	430,111	280,542	443,922	385,749	398,946	145,815	167,982
Excess of funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Funds advanced	\$ 430,111	\$ 280,542	\$ 443,922	\$ 385,749	\$ 398,946	\$ 145,815	\$ 167,982
Funds expended	430,111	280,542	443,922	385,749	398,946	145,815	167,982
Excess of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PROGRAM	TN37R00350211 CFP R 502-11	TN37R00350212 CFP R 502-12	TN37R00350213 CFP R 502-13	TN37R00350214 CFP R 502-14	TN37R00350215 CFP R 502-15	TN37R00350409 CFP 504-09	
Funds approved	\$ 311,920	\$ 348,254	\$ 290,718	\$ 247,773	\$ 258,709	\$ 88,177	
Funds expended	311,920	348,254	290,718	247,773	258,709	88,177	
Excess of funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Funds advanced	\$ 311,920	\$ 348,254	\$ 290,718	\$ 247,773	\$ 258,709	\$ 88,177	
Funds expended	311,920	348,254	290,718	247,773	258,709	88,177	
Excess of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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.

SINGLE AUDIT SECTION

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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 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 ("KCDC"), which include the statement of net position as of June 30, 2018, 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 20, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered KCDC'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 KCDC's internal control. Accordingly, we do not express an opinion on the effectiveness of KCDC'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 KCDC'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 KCDC'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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 20, 2018.

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 KCDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCDC'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 20, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE 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 ("KCDC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of KCDC's major federal programs for the year ended June 30, 2018. KCDC'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 KCDC'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 KCDC'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 KCDC's compliance.

Opinion on Each Major Program

In our opinion, KCDC 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, 2018.

Report on Internal Control Over Compliance

Management of KCDC 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 KCDC'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 KCDC'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 20, 2018

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Pass Through Entity</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
	Section 8 Project Based Cluster		
14.856	Section 8 Lower Income Housing Assistance Program - Moderate Rehabilitation	NA	\$ 498,133
14.195	Section 8 Housing Assistance Payments Program	NA	1,439,635
	Total Section 8 Project Based Cluster	NA	<u>1,937,768</u>
14.218	Community Development Block Grants/Entitlement Grants	City of Knoxville	184,504
	Housing Choice Voucher Cluster		
14.871	Housing Choice Voucher Program	NA	23,305,029
14.879	Mainstream Vouchers	NA	546,587
	Total Housing Choice Voucher Cluster		<u>23,851,616</u>
	Capital Fund Cluster		
14.872	Capital Fund Program	NA	4,778,967
14.896	PIH Family Self-Sufficiency Program	NA	49,442
14.850	Low Rent Public Housing	NA	12,556,325
	Total U.S. Department of HUD		<u>43,358,622</u>
	Total Federal Awards Expenditures		<u><u>\$ 43,358,622</u></u>

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, 2018. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Title 2 CFR, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards". 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	\$ 39,640,687
FDS line 706.1	Capital Grants	3,533,431
FDS line 708	Other government grants	1,571,517
	Less: nonfederal portion	<u>(1,387,013)</u>
		<u><u>\$ 43,358,622</u></u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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:

CFDA Number	Name of Federal Program
14.856	Section 8 Lower Income Housing Assistance Program - Moderate Rehabilitation
14.195	Section 8 Housing Assistance Payments Program
14.850	Low Income Public Housing

Dollar threshold used to distinguish between type A and type B programs:	\$1,300,759
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, 2018
(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, 2018

There were no Prior Audit Findings.