



CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR

INVESTING IN KNOXVILLE

Public Safety	Healthy & Connected Neighborhoods	Clean & Resilient Future	Thriving Businesses & Good Jobs

INVESTING IN PEOPLE

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2021

ANNUAL COMPREHENSIVE FINANCIAL
REPORT



CITY OF KNOXVILLE

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

*PREPARED BY:
CITY OF KNOXVILLE FINANCE DEPARTMENT*

CITY OF KNOXVILLE, TENNESSEE

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2021

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INTRODUCTORY SECTION



January 28, 2022

To the City Council of the City of Knoxville and the Residents of Knoxville, Tennessee

In compliance with the City of Knoxville Charter requirements, we are submitting the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. These financial statements represent our financial report to the City's governing body, constituents, legislative and oversight bodies, investors, and creditors. Copies of this report will be made available to elected officials, City management personnel, bond rating agencies, and other agencies that express an interest in the City's financial matters. The general public may access these at the City's website online or by request of the City's Finance Department. Based on the information contained in this report, the financial condition of the City remains strong as of June 30, 2021.

The report has been prepared in accordance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the requirements of the Single Audit Act of 1984 and the related Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance).

The City's financial statements have been prepared by the Finance Department and audited by Crosslin PLLC. The City accepts responsibility to ensure all information included in the ACFR is complete and accurate. We believe the enclosed data completely and accurately presents the financial condition of the City in all material respects and is presented in a manner that fairly sets forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

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

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A and

should be read in conjunction with it. The City of Knoxville's MD&A can be found immediately following the report of the independent auditors.

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

Governmental Structure

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

Local Economic Condition

The City of Knoxville is the third largest City in the State of Tennessee, having an estimated population of 190,740 (2020 Census). Located in East Tennessee at the headwaters of the Tennessee River, the City serves as the economic center of the East Tennessee area, including portions of Kentucky, North Carolina and Virginia. Its trade sector is one of the strongest in the state.

Knoxville has a diversified economy, with a strong public sector led by the University of Tennessee and the Tennessee Valley Authority, which provide employment stability. The Brookings Institution named Knoxville one of the first three cities in the United States to fully recover from the Recession of 2008-09. In short, the City of Knoxville is somewhat insulated from the boom or bust cycles that occur in much of the country.

In March, 2020 the world woke up to the beginning of Covid-19 and is still dealing with related effects. The City of Knoxville was affected with some resulting unemployment and accompanying federal and state government financial support. The external financial support affected the city in many different and divergent ways. General Fund revenues, however, actually increased by \$14.5 Million, mostly in Sales Taxes and Intergovernmental Revenues. Employees were encouraged to work from home where feasible resulting in lower facility costs and a changed work environment.

Our component units were affected differently. Knoxville Area Transit (KAT) and the McGhee Tyson Airport were not as fortunate due to the nature of their operations and dependency on customers. The

Knoxville Utilities Board (KUB), which provides electric, gas, water and wastewater to the City and outlying areas saw a decrease in net position from FY 20 (\$78 Million) to an increase in net position of \$75.5 Million in FY 21.

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

Tourism is an economic generator for Knoxville. While the pandemic definitely had a negative effect on economic benefits derived from tourism in the Knoxville area for Fiscal Year 19/20, the FY 20/21 results have improved. Specifically, from January to June of 2021, tourism increased 44% over the same period in 2020. Additionally a total of 981,918 rooms were sold over that six month period across the county which reflects a 41.4% increase over the same period last year. Through Visit Knoxville’s website ads, 33,256 bookings were made for 77,802 nights totaling more than \$9.3 million in revenue. In short, tourism in Knoxville appears to have been on the up-tick during the second half of FY 20/21.

The City, located in Knox County, has one of the lower sales tax rates in the state. Authorized by state law to levy up to 2.75%, the combined city/county rate is 2.25%. The following table displays the City’s portion of local sales tax collections (in thousands) over the past ten years:

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

Year	Collections	% Change
2012	\$36,379	7.47%
2013	\$35,028	-3.71%
2014	\$35,783	2.16%
2015	\$37,187	3.92%
2016	\$40,743	9.56%
2017	\$40,787	0.11%
2018	\$40,884	0.24%
2019	\$42,596	4.19%
2020	\$43,526	2.18%
2021	\$48,791	12.10%

As shown above, in FY21 the City experienced a 12.10% increase in local option sales tax revenue (an additional \$5.3 Million) despite the pandemic. The reason for this is twofold: The City’s local option sales tax revenue has been on the rise for many years as depicted above and consumers primarily stayed home during the pandemic and spent their disposable income locally rather than at “out of state” vacation spots. While the economic outlook for Knoxville and all other cities is uncertain due to Covid-

19, Knoxville's revenues have not been negatively affected to the extent initially forecasted and the overall financial status is one of "cautious optimism."

The presence of the University of Tennessee along with Tennessee Valley Authority, Oak Ridge National Laboratory and other large governmental installations lend stability to the area, making the local economy less cyclical than the national or state economy. In FY21, the Knoxville metro area's civilian labor force (full and part-time, non-farm, wage and salary employees and self-employed persons) totaled 431,889 workers. Average unemployment rate in the metro area was 3.5 percent, reflecting a decrease from 4.9 percent in FY20.

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

The Knoxville Utilities Board (KUB) provides electric, gas, water and wastewater to more than 473,000 customers in Knoxville and parts of seven surrounding counties. KUB's system is comprised of 5,437 miles of electric service lines, 63 electric substations, 2,524 miles of gas service mains, 1,415 miles of water service mains, 28 water storage facilities, 26 water booster pump stations, one water treatment plant, 1,320 miles of wastewater service mains, 78 wastewater pump stations and 4 wastewater treatment plants. KUB has approximately 1,000 employees. Functioning with an approved operating budget of \$962 million and \$2.2 billion in net capital assets, it is the fourth largest customer of the Tennessee Valley Authority.

McGhee Tyson Airport posted three record-breaking years in a row in FY17, FY18, and FY19 as airline passenger traffic soared. FY20 was on track to become the airport's fourth consecutive record year until the outbreak of COVID-19 in March 2020.

The COVID-19 pandemic had a significant impact on airline passenger performance at Knoxville's McGhee Tyson Airport during FY21. The fiscal year began with the airport reeling from the downturn of passenger demand due to the pandemic. Air carrier moves to reduce costs led to numerous flight cancellations and suspensions. PSA Airlines (American Eagle) closed their Knoxville flight crew base and transferred over 300 pilots and flight attendants to other cities. ExpressJet Airlines (United Express) shut down completely, which led to the closing of their large maintenance center at McGhee Tyson Airport and the loss of over 250 skilled technical jobs. Overall airline service was significantly curtailed, but flights began to be restored in the second half of the fiscal year.

The demand for international and corporate travel evaporated, but leisure travelers began to return to the skies during FY2021. Ultra-low fare carrier Allegiant Air responded with added capacity to the new markets of Austin, Boston, Chicago, and Houston while continuing service to nearly a dozen other cities from Knoxville. East Tennessee and the Great Smoky Mountains National Park became a popular place for visitors from major markets to escape the pandemic and enjoy the region's plentiful outdoor recreation opportunities.

As FY2021 drew to a close, Knoxville airline passengers were trending up and approached 80% of pre-pandemic levels. Leisure travel remained dominant as the airport awaited the return of corporate travelers.

Knoxville Area Transit (KAT) is the City of Knoxville's transit system, operating buses, trolleys and paratransit service across the City. KAT's funding comes from the City of Knoxville, the state and federal governments and fare revenues. KAT carried over 2 million passenger trips during fiscal year 20/21, and in 2017 was named the Outstanding Public Transportation System in North America by the American Public Transportation Association, in the category of small transit systems." The American Public Transportation Association also awarded KAT the "Gold Safety Award" in 2018 and presented the Distinguished Local Service Award to the Mayor in 2019. KAT's 24-route bus system and 4-route trolley system is based at the Knoxville Station Transit Center, which serves as the major public transportation hub for metropolitan Knoxville. The facility, which opened in 2010, is the city's first Silver LEED certified government building.

The effects of the pandemic have decreased ridership and forced KAT to reduce service, due to a workforce shortage. While we don't know what 2022 will bring in terms of pandemic, we do know there are some exciting possibilities on the horizon for KAT. There are many incredible projects that are being undertaken to increase customer focus and ridership such as bus stop improvements, electric buses, new fare payment options, and a Comprehensive Operational Analysis that will examine the current bus network and service.

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

With the advent of Covid-19, operations at the Convention Center declined dramatically as with all social venues. ASM Global continued to operate our public assembly facilities under strict Covid protocols and were social-distancing all events the entire year ending 2021. Still under those guidelines ASM Global hosted 197,267 attendees collectively. While this is down 76% of pre-Covid attendance norms, they mitigated 85% of the loss in revenues through reductions in workforce and operational expense savings. The continuation of events has allowed ASM to maintain a core group of key personnel and they are in the process of building back their team. Finally, note that future bookings appear strong.

The Knoxville Symphony Orchestra, the Knoxville Opera, and the Tennessee Children's Dance Ensemble are among the many exceptional arts organizations in the city. Choral groups, dance companies, and over a dozen performance theatres, including the Tennessee and Bijou theaters, also promote the arts. Live entertainment includes touring Broadway productions, music festivals, and concerts. The Knoxville Museum of Art and the Emporium Center for Arts and Culture feature changing exhibits throughout the

year, while the area's libraries, historic sites, and museums, such as the East Tennessee History Center, The McClung Museum of Natural History and Culture, and the Beck Cultural Center, celebrate Knoxville's heritage.

Knox County is the principal gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. The nation's most-visited National Park, extends over parts of the States of Tennessee and North Carolina. Over 12 million people visited the park in 2020, making it the most visited park in the country. The park provides an economic hub generating a cumulative benefit to the local economy of \$1.38 billion in 2020 and supports over 14,000 jobs in the local and surrounding area. Two tourist towns are located at the foothills of the Smoky Mountains, Gatlinburg and Pigeon Forge. Gatlinburg features numerous restaurants, craft shops, and gift stores, along with a ski lodge, ski-lifts, convention center and tramway, making it a year-round resort town. Pigeon Forge is a regionally well-known place to shop. Its attractions include Dollywood - a country-style theme park, a waterslide park, dinner theaters, numerous miniature golf courses, bumper boat rides, and theme museums. Knoxville seeks to capitalize from its location through the Women's Basketball Hall of Fame, the Knoxville Visitors Center, Outdoor Knoxville, Volunteer Landing, Neyland Stadium, home of the University of Tennessee Volunteer football team, the Knoxville Botanical Gardens, and the Knoxville Zoo.

Knoxville consistently receives high honors for quality of life. In 2020 Livability.com ranked Knoxville among the 100 best places to live and WalletHub.com named Knoxville as one of the nations "Best College Towns and cities in America. Not only does Knoxville offer a high quality of life, but it has been recognized as a great place to work. In 2021 WalletHub.com cited Knoxville as one of 2021's Best Cities for Jobs.

The quality of life, a relatively low cost of living, convenient interstate access and other factors make the area an attractive location for many types of business/industry operations. Knoxville serves as home to some national and global industry leaders in the area such as Dollywood, Clayton Homes, DeRoyal - v - Industries, Pilot Flying J, and Regal Entertainment. Additionally, Sysco Corporation, one of the largest food service marketers and distributors in North America, also calls Knoxville home.

Knoxville serves as the health, educational, and governmental center of East Tennessee. Knoxville is home to the University of Tennessee's (UTK) main campus which consists of 910 acres, 294 buildings and over \$1 billion in projects that are under design and construction. UTK experienced an enrollment of 26,254 students for the Fall of 2020, including its teaching hospital and veterinary school. U.S. News and World Report ranks UTK in the top 100 best value colleges in the United States. Six other colleges operate in Knoxville, with 30 trade/vocational schools completing Knoxville's higher education system. Also operating in the area are eight hospitals. The presence of the Tennessee Valley Authority, Oak Ridge National Laboratory, and The Y-12 National Security Complex serve as a magnet for technology-based corporations in East Tennessee.

Relevant Financial Policies/Controls

Management of the City of Knoxville is responsible for establishing and maintaining an internal control structure. This structure protects the assets of the government from loss, theft or misuse. The system

also ensures adequate accounting data are compiled to prepare financial statements in conformity with GAAP. The internal control structure provides reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The objective of the City of Knoxville's budgetary controls is to ensure compliance with the City Code and Charter, as well as state and federal guidelines regarding the use of funds. Departments may not exceed their annual appropriation without council approval. Appropriations for all funds, excluding grants and capital projects, lapse at fiscal year-end and must be re-appropriated annually. Additional budgetary controls include the City's encumbrance accounting system, which ensures departments do not exceed appropriations. Furthermore, the Mayor and the Finance Director can reserve or impound appropriations if there are insufficient revenues to cover expenditures, or for any other valid reason.

Other information

Independent Audit

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

MAJOR INITIATIVES

I. Redevelopment

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

Downtown Knoxville has enjoyed a sustained resurgence since the start of this century, with a vibrant arts scene and cultural attractions, along with robust entertainment, shopping and dining opportunities.

The number of people living downtown has more than doubled in recent years, and in 2021, a half-dozen major residential and/or mixed-use developments were under construction. This was due, in large part, to more than \$180 million being privately invested in condominiums, apartments, restaurants, offices and hotel renovations in Downtown, the adjacent Old City, and along the South Waterfront. Approximately another 1,000 new residents were living in or near Downtown by mid-2021.

The City has been an important partner in the resurgence in and around Downtown, offering a range of tools to developers when necessary to help close gaps in financing and/or investing directly in

Downtown infrastructure. The City's long-term strategy has been to encourage reinvestment in the urban core and in neighborhoods radiating out in all directions from Downtown.

The FY 20/21 Budget appropriated \$2.5 million for the creation of new affordable and workforce rental housing and \$4.5 million to assist the Knoxville Community Development Corporation (KCDC) in the revitalization of the Austin Homes community. It also included \$500,000 in new funding to support development of a master plan to improve housing and amenities in the Western Heights Neighborhood. The City of Knoxville encourages reinvestment in other parts of the City through the Housing and Neighborhood Development Department. Initiatives such as owner-occupied rehabilitations, blighted property acquisitions, and a commercial façade program enhance targeted redevelopment areas.

To the east of downtown, funding was allocated to support improvements in Burlington and begin design and planning to better connect neighborhoods such as Morningside with downtown and the Coliseum. To the south, \$1 million was allocated for streetscape improvements along Sevier Avenue, and another \$1 million to support infrastructure on Waterfront Drive that serves neighborhoods near the Suttree Landing Park. To the north, the budget provided \$100,000 for the Broadway Corridor Support Project to fund design services or small-scale community projects in the area spanning from Woodland Avenue to Interstate 640.

Currently, the City is investing \$55.8 million to convert a vacated hospital campus into a new Public Safety Complex, housing Police, Fire administrative, City Court, Pension System and some E-911 operations and another \$6.5 million to raze antiquated buildings and prepare half the site for future private redevelopment. This investment prevents the large site from devolving into blight and strengthens the surrounding neighborhoods.

Similar recent investments have been made by the City in other areas.

The City also continues to invest in outdoor activity venues and neighborhood amenity improvements and revitalization across the community. The FY 20/21 budget included \$300,000 for ball field, tennis court and playground improvements in parks throughout the City as well as \$500,000 for repairs to the Third Creek Greenway. Another \$200,000 was provided for improvements at Inskip Pool and \$250,000 was allocated to support Fountain City Park improvements.

II. Sustainability

For more than a decade, the City of Knoxville has worked collaboratively with public and private partners to make the city and region greener and more sustainable – a place where economic opportunity and environmental stewardship can both thrive. Thanks to a forward-looking, pragmatic and effective approach, Knoxville is a regional and national sustainability leader.

The City of Knoxville has been goal setting for greenhouse gas emissions reduction since 2008. The City's current targets include reducing operational greenhouse gas emissions 50% by 2030 and community emissions 80% by 2050. The City has aggressively pursued energy efficiency projects and supported deployment of renewable energy systems. Energy efficiency projects like LED streetlights and facility improvements are proven ways to reduce both operating costs and emissions.

The Office of Sustainability collaborates with numerous internal and external partners to advance clean energy, reduce environmental impacts, and improve efficiency through infrastructure investments, financial tools, and regulatory changes. To identify and evaluate strategies to achieve the 80% by 2050 community goal, Mayor Indya Kincannon convened the Mayor's Climate Council in 2020. This group has worked with City staff to identify critical priorities to make Knoxville cleaner and greener while reducing community emissions. Those priorities, information on annual emissions, and more can be found in the Sustainability Work Plan (www.knoxvilletn.gov/sustainability).

III. Livability

The City continues to invest in neighborhood infrastructure, recreational facilities, major community events and great public spaces. It is important that neighborhoods also have quality infrastructure and are free from blight. This City is supporting collaborations to build affordable housing throughout Knoxville, with emphasis on new rental units with easy access to public transit and resources in the urban core.

Great neighborhoods also have access to parks, greenways, natural areas, and recreational opportunities. They safely accommodate pedestrians, bicycles, public transit, and vehicles. The City has continued to invest in neighborhood connectivity, \$1,195,000 was budgeted for sidewalk safety, including investments in sidewalk repair, pedestrian infrastructure, and accessible curb cuts. Additionally, the 20/21 budget continued to provide support for Knoxville's public transit system in the amount of \$12.98 million in direct city support and grant match funding to operate buses, trolleys and para-transit service across the community.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Knoxville for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the 35th consecutive year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Knoxville received GFOA's Distinguished Budget Presentation Award for the annual operating budget dated July 1, 2020. This marks the 34th consecutive year that the City has won this Award. The Distinguished Budget Presentation Award recognizes that the City's budget document is a proficient policy document, financial plan, operation guide and communications medium.

Acknowledgments

This report results from the efforts of many people. Special recognition and appreciation goes to the dedicated service of the entire City Finance Department whose audit efforts are led by Comptroller Aura Shelton, the assistance of the various departments, Savannah Kirk, the City's Internal Auditor, the guidance and assistance of the staff of the City's independent auditors, Crosslin, PLLC, and the City Council audit committee comprised of Lauren Rider (Chair), Tommy Smith, Andrew Roberto, Janet Testerman, and Amelia Parker. The national recognition afforded the City of Knoxville could not have been achieved without the participation and enthusiasm of the residents of the community. Their exceptional response is the foundation for many programs and projects developed during the budgetary process which strengthen and benefit the lives of all Knoxville's and the surrounding area. We express our sincere appreciation to these individuals and to the City Council for their support and interest in improving Knoxville's fiscal policies and practices.

Respectfully,



Indya Kincannon,

Mayor



Susan Gennoe, CPA, CMFO

Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Knoxville
Tennessee**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

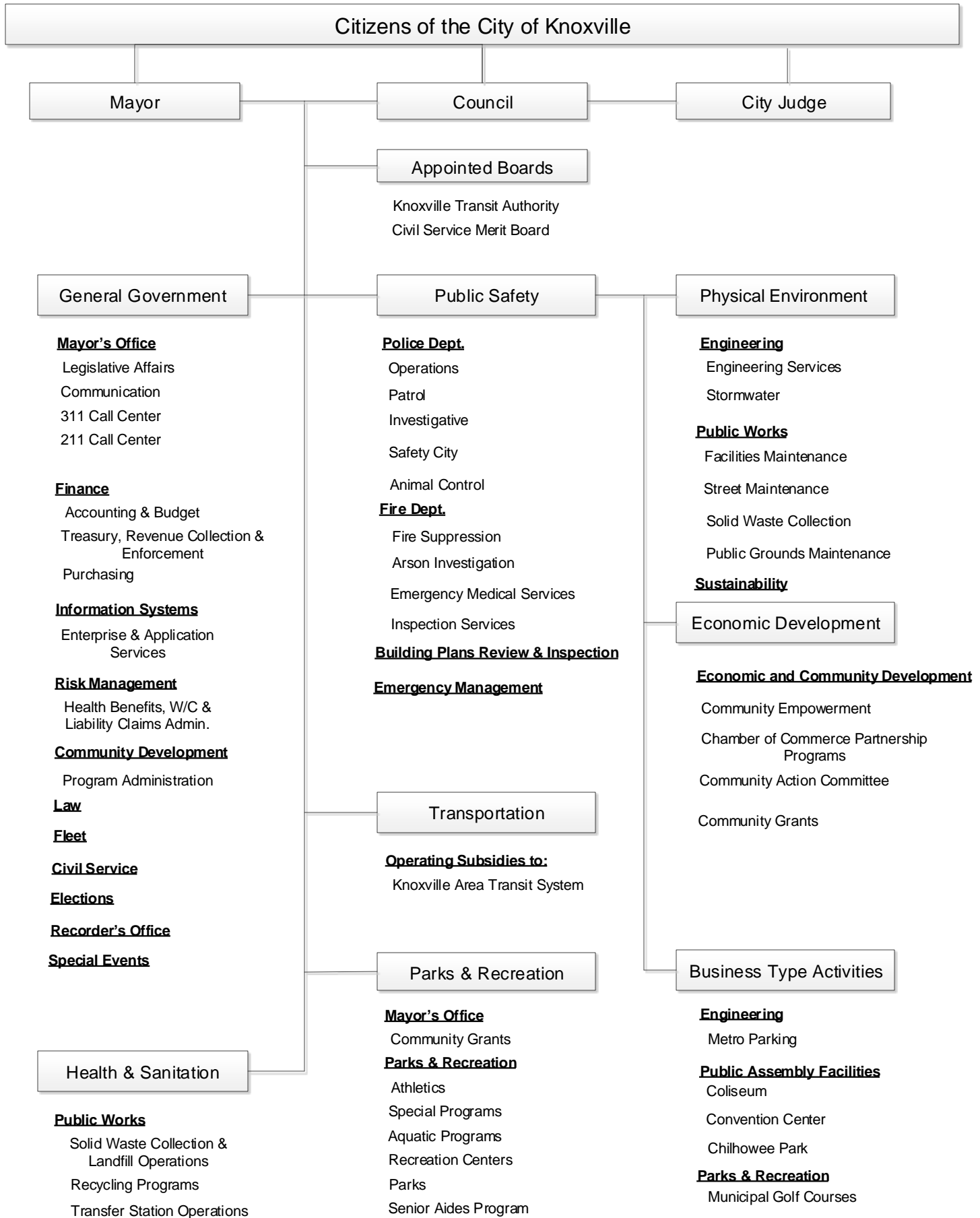
June 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Knoxville, Tennessee

Organizational Structure by Function



CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF PRINCIPAL OFFICIALS OF THE CITY OF KNOXVILLE,
TENNESSEE**

MAYOR
Indya Kincannon

CITY COUNCIL

Tommy Smith
Andrew Roberto
Seema Singh

Lauren Rider
Charles Thomas
Gwen McKenzie, Vice Mayor

Lynne Fugate
Janet Testerman
Amelia Parker

CITY JUDGE
John Rosen

PRINCIPAL DIRECTORS AND ADMINISTRATORS

Deputy to the Mayor – David Brace, Chief Operating Officer
Deputy to the Mayor – Erin Gill, Chief Policy Officer
Deputy to the Mayor – Stephanie Welch, Chief Economic and Community Development Officer
Airport – Patrick Wilson, President
City Recorder – Will Johnson
Civil Service – Vicki Hatfield, Director
Communications – Kristin Farley, Director
Community Empowerment – Charles Lomax, Jr., Director
Engineering – Harold Cannon, Director
Finance & Accountability – Susan Gennoe, CFO
Fire – Stan Sharp, Chief
Fleet – Nicholas Bradshaw, Director
Information Systems – Mark Parker, Director
Knoxville Area Transit – Isaac Thorne, General Manager
Knoxville Utilities Board – Gabriel Bolas II, President
Law – Charles Swanson, Director
Parks & Recreation – Sheryl Ely, Director
Police - Eve Thomas, Chief
Public Service – Chad Weth, Director
Special Events – Kendra Owenby, Director

FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which represents 98% of the total assets, 97% of total net position and 96% of the total revenues of the aggregate discretely presented component units of the City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and miscellaneous community development funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 20 and the schedule of changes in net pension liability and related ratios and schedule of employer contributions of the pension plan on pages 98 and 99, and the schedule of changes in total OPEB liability and related ratios on page 100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, schedule of changes in long-term debt by individual issue, combining and individual fund financial statements and schedules on pages 101 to 131, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
January 28, 2022

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) seeks to aid the reader in understanding the City of Knoxville Tennessee's basic financial statements and financial position. This section is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter that begins on page "i" and with the financial statements that follow. All amounts are expressed in dollars, unless otherwise specified, for the results of operations for the Fiscal Year ending June 30, 2021.

Financial Highlights

- The assets and deferred outflows of resources of the City of Knoxville primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$726,291,539 (*net position*). Of this amount, \$322,475,875 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$27,344,941 million, a change of 3.91%, when compared to FY2020. This gain stems from effective budgetary controls and involvement of all employees in controlling costs as well as an increase in both local and state shared sales tax revenue despite the pandemic.
- As of the close of the fiscal year, the city's governmental funds reported combined ending fund balances of \$326,916,492 an increase of \$77,649,261 over the prior year. Of this total, \$306,208,389 or 93.67% is either non-spendable, restricted, committed, or assigned. The remaining balance of \$20,708,103 is available for other uses.
- The ending fund balance in the City's General Fund increased by \$20,276,232 or 23% over the prior year. For FY2021, \$12,746,732 was appropriated from unassigned fund balance to augment General Fund revenues to balance the planned budget expenditures. Overall tax collections came in much higher than anticipated by \$7,944,562, and augmented by efficient use of resources, contributed significantly to reducing the amount of unassigned fund balance needed to support expenditures. Consistent with Governmental Accounting Standards Board (GASB) standards for fund balances, a total of \$418,309 is considered non-spendable and \$87,342,936 is assigned or committed. The remaining balance of \$21,140,779 is available for spending at the City's discretion.
- The City's total debt for the primary government increased by \$32,580,000 from \$143,080,000 to \$175,660,00 during the current fiscal year as a result of normal debt service.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

Primary Government

Governmental Activities
Business-Type Activities

Component Units

Knoxville Utilities Board
Metropolitan Knoxville Airport Authority
Knoxville Area Transit

STATEMENT OF NET POSITION

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

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

STATEMENT OF ACTIVITIES

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the

governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

Proprietary Funds

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

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

Business-Type Activities

Knoxville Convention Center
Other Business-Type Activities -
Metro Parking
Public Assembly Facilities
Municipal Golf Courses

Governmental Activities/Internal Service Funds

Fleet Maintenance
Risk Management
Health Insurance
Equipment Replacement
City Buildings

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

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

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

Fiduciary and Component Unit Statements

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City of Knoxville programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Combined Custodial Funds account for monies designated by employees to offset the cost of their personal health care. The City Employees' Pension Trust Fund accounts for assets set aside for employee retirements.

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

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

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

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

Statement of Net Position at June 30, 2021

A condensed version of the Statement of Net Position follows:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Cash and investments	\$ 443,398	\$ 386,046	\$ 77,419	\$ 69,374	\$ 520,817	\$ 455,420
Other assets	209,247	186,490	(1,732)	4,831	207,515	191,321
Capital assets	435,920	423,843	146,297	151,394	582,217	575,237
Total assets	1,088,565	996,379	221,984	225,599	1,310,549	1,221,978
Deferred Outflows	77,634	65,000	-	-	77,634	65,000
Liabilities						
Other liabilities	20,911	25,396	3,228	3,060	24,139	28,456
Noncurrent liabilities	394,061	315,583	83,337	89,469	477,398	405,052
Total liabilities	414,972	340,979	86,565	92,529	501,537	433,508
Deferred Inflows	159,828	153,994	526	529	160,354	154,523
Net position						
Net investment in capital assets	326,384	369,210	62,967	61,933	389,351	431,143
Restricted	14,465	13,246	-	-	14,465	13,246
Unrestricted	250,550	183,950	71,926	70,608	322,476	254,558
Total net position	\$ 591,399	\$ 566,406	\$ 134,893	\$ 132,541	\$ 726,292	\$ 698,947

Governmental Activities

Assets have increased by 9.25% and liabilities have increased by 21.70% when compared to FY2020 levels. The increase in assets is due primarily to favorable financial operations increasing available cash and investments. Noncurrent liabilities increased by \$78.478 million due to the issuance of new long-term debt net of the normal retirement of outstanding debt and routine operations. The net pension liability increased by \$20.59 million in accordance with actuarial requirements of the various pension plans. The net result of these changes is an increase in total net position of 4.41%.

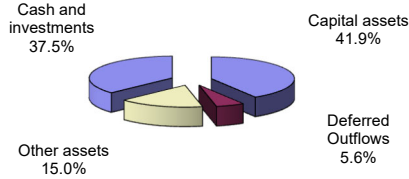
Business-Type Activities

Assets and liabilities changed by (1.60%) and (6.45%) respectively from FY2020 levels. The overall result of all these changes is a 1.77% increase in net position.

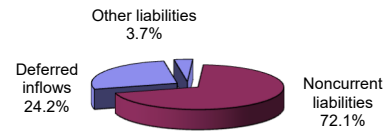
Total Primary Government

The City’s capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure, and construction in progress account for 41.9% of \$1,388.183 million in total assets and deferred outflows. Taxes and governmental receivables and other assets constitute 15.0%. Current liquidity comprised of cash and investments represents 37.5% and deferred outflows representing pension and other post employment benefits account for 5.6%.

Primary Government Assets & Deferred Outflows



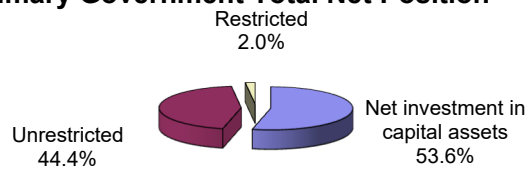
Primary Government Liabilities & Deferred Inflows



Of the total government liabilities and deferred inflows, 72.1% are in long-term debt. Of the total long-term debt, approximately \$80.975 million, or 46.10% is related to debt issued to finance the convention center.

A portion of the City’s total net position is restricted for specific purposes. These restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are system development charges, bond proceeds, taxes and other collections limited to repayment of debt. The unrestricted net assets of the City’s primary governmental activities represent 44.4% of total primary government net assets.

Primary Government Total Net Position



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

A summary version of the Statement of Activities follows:

Condensed Financial Information						
Primary Government						
Statement of Activities						
For Fiscal Years Ending June 30						
(In \$1,000's)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 11,201	\$ 10,442	\$ 7,450	\$ 12,488	\$ 18,651	\$ 22,930
Operating grants & contributions	8,332	5,915	1,500	1,500	9,832	7,415
Capital grants & contributions	14,262	8,406	-	-	14,262	8,406
General revenues:						
Taxes	265,908	252,185	12,195	23,787	278,103	275,972
Interest	944	6,987	113	985	1,057	7,972
Other	2,964	6,396	400	329	3,364	6,725
Total revenues	303,611	290,331	21,658	39,089	325,269	329,420
Expenses:						
General government	56,147	56,493	-	-	56,147	56,493
Public safety	112,691	109,806	-	-	112,691	109,806
Physical Environment	56,076	55,246	-	-	56,076	55,246
Transportation	5,947	11,081	-	-	5,947	11,081
Economic development	16,534	14,444	-	-	16,534	14,444
Parks and recreation	12,490	12,979	-	-	12,490	12,979
Health & Sanitation	10,087	9,964	-	-	10,087	9,964
Interest on long-term debt	1,785	1,854	-	-	1,785	1,854
Other	-	-	26,167	34,937	26,167	34,937
Total expenses	271,757	271,867	26,167	34,937	297,924	306,804
Increase (decrease) in net position before transfers	31,854	18,464	(4,509)	4,152	27,345	22,616
Transfers	(6,861)	(6,386)	6,861	6,386	-	-
Changes in net position	24,993	12,078	2,352	10,538	27,345	22,616
Beginning net position	566,406	554,328	132,541	122,003	698,947	676,331
Ending net position	\$ 591,399	\$ 566,406	\$ 134,893	\$ 132,541	\$ 726,292	\$ 698,947

Reflected in the Government-Wide Statement of Activities for the fiscal year ending June 30, 2021, only the General and State Street Aid Funds generated material revenues in excess of current operating expenditures. Excess revenue generated by the General Fund is used to support funds that are not self-sufficient and to maintain reserves necessary for the proper operation of the city. Property tax collections increased by \$430,000; state shared sales tax and local option sales tax grew by more than 12%. The volatile state income tax on investment earnings exceeded budget by \$0.6 million representing a decrease of \$0.7 million compared to FY2020. This state income tax on investments is being eliminated in FY2022.

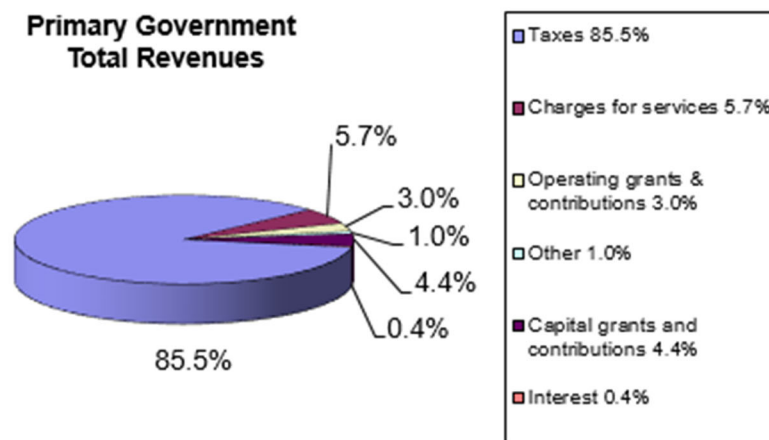
Surplus Debt Service fund revenues are generally utilized for one-time expenditures, capital projects or to retire debt. Excess City Court revenues, if any, are transferred to the General Fund to finance general operations. Public safety operations (police, fire, emergency management and codes enforcement) accounted for 37.8% of the City's total governmental operations of \$298 million. All other City of Knoxville operations are financed by either local or state taxes, grants, or various shared revenues.

Business-type Activities

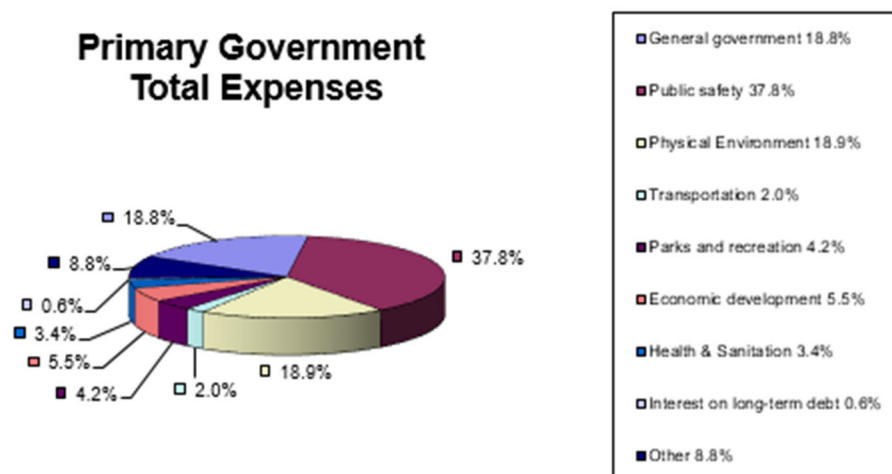
The City's business-type activities include metro parking, public assembly facilities and the municipal golf courses. The City also operates the Knoxville Convention Center, the Knoxville Civic Coliseum/ Auditorium, the World's Fair Exhibition Center and Chilhowee Park. Home of the University of Tennessee's main campus, Knoxville attracts thousands of visitors yearly for various sporting events. Neyland Stadium, the nation's fourth largest on-campus college football stadium, attracts over one hundred thousand loyal fans per home game. Proximity to outdoor recreational facilities such as the lake region and The Great Smoky Mountains National Park make the Knoxville area an ideal tourist destination. With this in mind, local government leaders deemed it necessary to build a new convention center to take advantage of Knoxville's unique geographic location. Current expenses exceed revenues for these activities which is due, primarily, to the effects of Covid-19. However, the local economy benefits greatly by the impact of lodging, restaurant, and various recreational consumer spending. To assist with repayment of the debt associated with the Convention Center, a dedicated Hotel/Motel tax is pledged and used. Additional redevelopment efforts in the city's downtown area are expected to increase the cost effectiveness of the city's infrastructure investments.

Total Government

Primary Government Revenues were \$325.269 million. The largest portion of these revenues (\$278.103 million – 85.5%) was from taxes.



Total primary government expenses totaled \$297.924 million, 37.8% of which was directed toward public safety.



Component Units

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

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

	Knoxville Utilities Board		Metropolitan Knoxville Airport Authority		Knoxville Area Transit		Totals	
	2021	2020	2021	2020	2021	2020	2021	2020
Program Revenues	\$ 823,281	\$ 804,168	\$ 51,860	\$ 64,221	\$ 29,360	\$ 27,593	\$ 904,501	\$ 895,982
Program Expenses	(742,320)	(730,659)	(32,890)	(34,106)	(35,145)	(34,800)	(810,355)	(799,565)
Total General Revenues	(5,435)	4,492	14,499	7,770	3,038	7,810	12,102	20,072
Change in Net Assets	75,526	78,001	33,469	37,885	(2,747)	603	106,248	116,489
Net Assets at Year End	\$ 1,285,645	\$ 1,210,119	\$ 315,479	\$ 282,010	\$ 44,257	\$ 47,004	\$ 1,645,381	\$ 1,539,133

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2021

The total Governmental Funds balance as of June 30, 2021 is \$326.916 million of which the general fund's balance is approximately \$108.902 million, the debt service fund is \$66.077 million, capital projects funds comprise \$128.901 million, miscellaneous community development funds total \$1.602 million and the remaining \$21.433 million is distributed among the various special revenue and permanent funds. In the aggregate, the governmental funds' fund balances increased by \$77.649 million (31.2%) when compared to the prior year. The change was predominantly in the capital projects fund (increasing 57.6%) reflecting

the use of funds for approved capital projects, most notably the new Public Safety Complex. Significant causes of the various increases are explained further in the following section.

Statement of Revenues, Expenditures & Changes in Fund Balances for the Year Ended June 30, 2021

The following schedule presents a summary of total governmental funds, which includes general fund, debt service fund, capital projects fund and other governmental funds for the fiscal year ended June 30, 2021, and the amount and percentage of increases and decreases in relation to prior year revenues.

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

Revenues	2021	2020	Percent of Total 2021	Change from Prior Year Increase (Decrease)	Percent Change
Taxes, assessments, interest & penalties	\$ 234,359	\$ 225,188	77.23%	\$ 9,171	4.07%
Licenses, permits and inspection charges	3,300	3,297	1.09%	3	0.09%
Intergovernmental revenue	49,044	35,970	16.16%	13,074	36.35%
Charges for services	5,918	6,305	1.95%	(387)	(6.14%)
Fines and forfeitures	2,738	3,056	0.90%	(318)	(10.41%)
Other	8,090	12,565	2.67%	(4,475)	(35.61%)
Totals	<u>\$ 303,449</u>	<u>\$ 286,381</u>	<u>100.00%</u>	<u>\$ 17,068</u>	<u>5.96%</u>

A comparison of revenues between FY2021 and FY2020 shows total general government revenues were up by approximately \$17.068 million or 5.96%. Local option sales tax showed the largest real growth, increasing 12.10% in FY21 compared to FY20. Intergovernmental revenue, which reflects increased grant funding being earned and awarded, also increased significantly in FY2021 with a 34.30% increase in federal and 25.40% increase in state of Tennessee programs primarily for Covid-19 related economic support efforts. Charges for Services and Fines and Forfeitures are down a combined 7.53% primarily due to decreased collections by the City Court for various traffic related matters. Property Tax revenue had modest growth during FY21 at 0.28%.

The following schedule presents a more detailed summary of the general fund, special revenue fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2021, and the percentage of increases and decreases in relation to prior year amounts.

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

Expenditures	2021	2020	Percent of Total 2021	Change from Prior Year	
				Increase (Decrease)	Percent Change
Administration	\$ 4,959	\$ 5,024	1.57%	\$ (65)	(1.29%)
Finance	4,180	4,283	1.33%	(103)	(2.40%)
Information Systems	4,409	3,992	1.40%	417	10.45%
Community Development	11,883	9,918	3.77%	1,965	19.81%
South Knoxville Waterfront	330	357	0.10%	(27)	(7.56%)
Parks & Recreation	7,726	7,712	2.45%	14	0.18%
Mass Transit	4,979	9,312	1.58%	(4,333)	(46.53%)
Engineering	13,734	13,152	4.35%	582	4.43%
Public Services	36,694	37,099	11.63%	(405)	(1.09%)
Law	3,167	2,929	1.00%	238	8.13%
Police	60,425	59,496	19.15%	929	1.56%
Emergency Management	501	443	0.16%	58	13.09%
Fire	43,585	42,084	13.82%	1,501	3.57%
Codes Enforcement	683	737	0.22%	(54)	(7.33%)
Legislative	1,021	998	0.32%	23	2.30%
City Elections	-	415	0.00%	(415)	-
Civil Service	1,125	1,180	0.36%	(55)	(4.66%)
Knoxville Partnership	641	641	0.20%	-	0.00%
Metropolitan Planning Commission	1,267	1,212	0.40%	55	4.54%
Knoxville Zoological Park	1,463	2,114	0.46%	(651)	(30.79%)
Community Agency Grants	1,868	2,900	0.59%	(1,032)	(35.59%)
Community Action Committee	969	1,069	0.31%	(100)	(9.35%)
Tax Increment Payments	3,004	2,790	0.95%	214	7.67%
Other General Government	20,031	20,403	6.35%	(372)	-
Capital and Grant Projects	44,296	48,307	14.04%	(4,011)	(8.30%)
Debt service:					
Issuance Costs	80		0.03%	80	N/A
Principal retirement	40,811	6,506	12.94%	34,305	527.28%
Interest on bonds and notes	1,629	1,883	0.52%	(254)	(13.49%)
Total Expenditures	\$ 315,460	\$ 286,956	100.00%	\$ 28,504	9.93%

Overall, general government expenditures in FY2021 increased by approximately \$28.504 million. The largest reduction of \$4.333 million occurred in Mass Transit as a result of reduced usage of public transportation during the Covid-19 pandemic. Community Development expenditures increased by approximately \$2.0 million primarily related to increased funding for local community service organizations assisting with Covid-19 relief efforts. Public Safety (Police, Fire, Emergency Management and Codes Enforcement) increased by a total of \$2.4 million due primarily to increased personnel costs and other one-time costs. Capital Project expenditures decreased by \$4.0 million as a result of many projects being completed and fewer planned new projects being initiated during FY21.

Proprietary Funds Statements

Statement of Net Position at June 30, 2021

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

Statement of Revenues, Expenditures and Changes in Fund Net Position for the Year Ended June 30, 2021

A summary of the revenues, expenses, and transfers indicates that there is an increase in total proprietary fund net position, including internal service funds, of \$2.352 million after transfers.

Statement of Cash Flows for the Year Ended June 30, 2021

The four main business type activities of the City are the Convention Center, Metro Parking, Public Assembly Facilities and the Municipal Golf Courses. As expected, overall operations experienced a net operating loss which was unnaturally increased by the shutdowns due to Covid-19 restrictions. Excluding Covid-19 issues, while the Convention Center operated at a loss, the amount of the loss has continued to decline over the years. The amount of downtown traffic was lessened due to lingering effects of the pandemic causing the Metro Parking Fund (parking garages) to finish the fiscal year with a flat cash flow, but operated at a loss after depreciation. Public Assembly Facilities had a \$624,199 positive cash flow due to transfers. At the end of FY2016, operating control of Public Assembly Facilities (Chilhowee Park and the Civic Auditorium and Coliseum) was turned over to a private management company to streamline and improve operations. The city's two golf courses continued to have a small operating loss which was partially covered with subsidies from the General Fund. The following table shows revenues, expenses, net interfund transfers, net income and net position at fiscal year-end for the various proprietary funds.

Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2021	2020	2021	2020	2021	2020
I. Business-type Activities						
A. Knoxville Convention Center	\$ 14,742	\$ 24,297	\$ 14,968	\$ 19,402	\$ 3,729	\$ 3,529
B. Other (Non-major enterprise funds)						
1. Metro Parking	3,348	4,052	4,788	5,231	2	-
2. Public Assembly Facilities	1,397	3,108	4,837	9,060	2,738	2,607
3. Municipal Golf Courses	1,511	1,122	1,573	1,244	392	250
Total Business-type Activities	20,999	32,579	26,166	34,937	6,861	6,386
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	17,433	18,192	14,316	14,617	813	839
2. Risk Management	6,938	7,767	5,566	7,033	4	-
3. Health Insurance	20,328	20,561	20,558	20,965	631	627
4. Equipment Replacement	3,170	3,235	3,650	3,109	93	980
5. City Buildings	2,267	2,525	2,140	2,381	300	-
Total Government-Wide Activities	50,135	52,280	46,229	48,105	1,842	2,446
Totals	\$ 71,134	\$ 84,859	\$ 72,395	\$ 83,042	\$ 8,703	\$ 8,832

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

Proprietary Funds	Capital Contributions		Change in Net Position		Net Position at Year End	
	2021	2020	2021	2020	2021	2020
I. Business-type Activities						
A. Knoxville Convention Center	\$ -	\$ -	\$ 3,504	\$ 8,424	\$ 81,614	\$ 78,110
B. Other (Non-major enterprise funds)						
1. Metro Parking	400	825	(1,038)	(354)	29,209	30,247
2. Public Assembly Facilities	259	5,685	(444)	2,340	22,040	22,484
3. Municipal Golf Courses	-	-	330	128	2,030	1,700
Total Business-type Activities	658	6,510	2,352	10,538	134,893	132,541
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	135	236	4,065	4,650	87,371	83,306
2. Risk Management	-	-	1,375	734	19,865	18,490
3. Health Insurance	-	-	402	223	21,977	21,575
4. Equipment Replacement	407	953	20	2,059	34,136	34,116
5. City Buildings	-	-	428	144	3,099	2,671
Total Government-Wide Activities	542	1,189	6,289	7,810	166,447	160,158
Totals	\$ 1,200	\$ 7,699	\$ 8,642	\$ 18,348	\$ 301,341	\$ 292,699

Fiduciary Funds Statements

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

Condensed Financial Information
Pension Trust Fund Contribution Rates

	FY2021 Contribution Rates	FY2020 Contribution Rates	Estimated FY2022 Contribution Rates
General Government Employees (Closed)	7.27%	7.27%	7.35%
General Government Employees (Open)	8.85%	8.01%	8.83%
Uniformed Employees (Closed)	17.52%	17.71%	17.65%
Uniformed Employees (Open)	12.86%	12.89%	12.96%

The City's Pension Fund is being funded, as required by the actuary, and is currently funded at 83.77%. The city is currently amortizing the unfunded portion according to an actuarial determined schedule. Beginning in FY18, the unamortized portion of the closed plans are being paid as a direct cost rather than as a percentage of payroll. For FY21 this amount was \$19,665,574 and is estimated at \$19,411,485 in FY22. The plan is to be fully funded in 16 years. For comparison purposes, if everything were expressed as a percentage of payroll for the closed plans, it would be 28.88% in FY20 and 29.80% in FY21 for General Government employees, and 55.74% and 57.94% respectively for Police and Fire employees. In FY2012, the City shifted all newly hired employees to a hybrid-based pension plan. Lower employer contribution rates for these individuals will offset a portion of the increased costs in funding the older plans. This has resulted in fairly level nominal contributions in future years as the contributions listed above for the open plans are based on the percentage of payroll and average approximately 8.6% for general government and 12.9% for uniformed employees.

General Fund Budgetary Highlights

During the year there was \$5,005,916 in appropriation changes between the original and final General Fund's budget. The following chart provides a snapshot of the changes.

General Fund
Budget Appropriation Changes
For Fiscal Year Ending June 30, 2021

Department	Carry Forward of Prior Year Encumbrances	Other	Total Changes
Administration	\$ 36,064	\$ 1,080,680	\$ 1,116,744
Finance	2,700	(144,470)	(141,770)
Information Systems	76,806	16,150	92,956
Community Development	188,714	38,990	227,704
Public Service	15,772	72,880	88,652
Engineering	16,616	257,760	274,376
Inspections	74	4,840	4,914
Parks and Recreation	9,263	24,220	33,483
Law	36,453	5,920	42,373
Police	149,503	1,293,190	1,442,693
Fire	16,276	382,380	398,656
Legislative	22,690	1,620	24,310
Civil Service	465	(156,800)	(156,336)
Human Resources	-	379,090	379,090
Agency Grants	-	100,000	100,000
Transfers	-	1,078,070	1,078,070
Total General Fund	<u>\$ 571,396</u>	<u>\$ 4,434,520</u>	<u>\$ 5,005,916</u>

Approximately 11% of the change in budget amendments are due to the reappropriation of prior year encumbrances (\$571,396) and are reflected in multiple city departments. The Administration budget increase (\$1,080,680) is primarily due to an appropriation of \$1,000,000 in funding for violence interruption and reduction. The Police budget increase (\$1,293,190) is primarily related to \$887,770 appropriated to fully fund implementation of body cameras and \$276,920 for the sale of annual leave and bonuses due to COVID. The \$382,380 increase for Fire was also due to the sale of annual leave and bonuses related to COVID. During 2021, the Human Resources department was established; the amount appropriated (\$379,090) was to cover \$279,090 in personnel expenses and \$100,000 in general supplies, equipment and other necessities for operations. The increase in Transfers (\$1,078,070) was for Fleet Services (\$547,980), COVID related bonuses and expenditures (\$214,040), stream cleanup (\$150,000), tax increment financing (TIF) payments (\$121,050) and supplemental funding for the Emergency Management Mobile Command Vehicle.

Capital Asset and Debt Administration

As of June 30, 2021, the primary government had net investment of \$582.2 million in capital assets. Buildings and improvements increased by \$3.93 million. This increase is due primarily to the completion of the improvements to the World's Fair Park Amphitheater (\$1.7 million), roof repairs at various Parks and Rec buildings (\$605K) and completion of the Fire Hall 4 renovations (\$449K). Equipment, furniture & fixtures increased by \$6.15 million. Almost half of this increase (\$3.0 million) was for the purchase of 4 hybrid or fully electric buses for KAT's fleet. The City also has an equipment replacement fund to systematically replace equipment becoming outdated or non-performing equipment. Infrastructure increased by \$14.06 million resulting from infrastructure projects completed in FY2021 primarily, the Mineral Springs Avenue

Bridge Project (\$1.2 million), the City's ongoing Paving Program (\$6.8 million) and new sidewalks or improvements (\$2.3 million). The City has many other ongoing maintenance programs, such as bridge maintenance and drainage improvements to help preserve the City's infrastructure. Construction in progress increased by \$13.90 million. The majority of this increase is due to the construction on the Jackson Avenue ramp replacement (\$3.2 million), access improvements to I-275 (\$4.0 million) and work on the Public Safety Complex (\$3.5 million). For additional information on the capital assets of the City, please refer to Note 8 of the Notes to Financial Statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and site improvements	\$ 85,030	\$ 84,505	\$ 7,686	\$ 7,686	\$ 92,716	\$ 92,191
Buildings and improvements	81,585	79,844	233,647	231,459	315,232	311,303
Equipment, furniture & fixtures	133,003	127,485	11,486	10,859	144,489	138,344
Infrastructure	494,381	480,690	31,762	31,396	526,143	512,086
Construction in progress	33,286	18,546	6	845	33,292	19,391
Less accumulated depreciation	(391,365)	(367,227)	(138,290)	(130,851)	(529,655)	(498,078)
Totals	\$ 435,920	\$ 423,843	\$ 146,297	\$ 151,394	\$ 582,217	\$ 575,237

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Beginning balance	\$ 791,070	\$ 750,663	\$ 282,244	\$ 273,744	\$ 1,073,314	\$ 1,024,407
Additions	43,587	52,176	3,187	13,101	46,774	65,277
Deletions	(7,372)	(11,769)	(845)	(4,599)	(8,217)	(16,368)
Balance before depreciation	827,285	791,070	284,586	282,246	1,111,871	1,073,316
Accumulated depreciation	(391,365)	(367,227)	(138,290)	(130,852)	(529,655)	(498,079)
Balance after depreciation	\$ 435,920	\$ 423,843	\$ 146,296	\$ 151,394	\$ 582,216	\$ 575,237

As of the year-end, the City's Total Primary Government had \$175.7 million in general obligation and note debt outstanding.

	Outstanding Debt at Year - End (In \$1,000's)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current - Due in 1 year:						
General Obligation Bonds	6,130	\$ 5,813	5,375	\$ 5,632	\$ 11,505	\$ 11,445
Non Current - Due in more than 1 year:						
General Obligation Bonds	85,995	45,743	75,600	83,162	161,595	128,905
Section 108 Loan	2,560	2,730	-	-	2,560	2,730
Total Non Current	88,555	48,473	75,600	83,162	164,155	131,635
Subtotal	94,685	54,286	80,975	88,794	175,660	143,080
Unamortized Premiums, Discounts and Gain on Refunding	17,411	3,076	2,354	667	19,765	3,743
Total Long Term Debt	<u>\$ 112,096</u>	<u>\$ 57,362</u>	<u>\$ 83,329</u>	<u>\$ 89,461</u>	<u>\$ 195,425</u>	<u>\$ 146,823</u>

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

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

	2021	2020
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AA+	AA+
Fitch Ratings	AAA	AAA

Economic Factors

FY2021 was impacted by Covid-19 and this situation continues in various and diverse ways. The General Fund was minimally impacted due to Federal and State virus relief efforts and Sales tax revenues, cost cutting measures (hiring freezes and limitations on overtime) and elimination of various summer programs necessitated by the need for social distancing. Savings were also realized by various venues remaining dark and in contracted areas that used employee furlough measures as necessary. While the effects from Covid-19 are expected to continue into the foreseeable future, we remain cautiously optimistic that City operations will generally not be unduly impacted and the City will continue to utilize its resources for the betterment of the community.

As with most local governments, the largest source of revenue for the City of Knoxville is taxes. This revenue category represents \$204 million or 84.61% of the total operating revenue to the General Fund. Within this category of revenue, the largest amount comes from property taxes. In turn, property taxes are divided among realty, personal, and public utility. The growth rate for assessed value on real estate has generally been relatively moderate, a trend that is expected to continue. In FY2021 the taxable value of real property increased by 2.12% and the overall tax roll increased by 1.84%. Under Tennessee law, cities are not able to benefit from reappraisals and must adopt a "certified tax rate" which eliminates this impact. Going forward we forecast slight growth in this source. We expect limited to no growth in the valuation of Public Utility property. Historically, the city has collected an average of 95.68% of property taxes in the year they are due. The trend has, in recent years, been upward due to better economic conditions and enhanced collection efforts. The trend in personal property has been more volatile but has trended upward in the recent past.

Local option sales tax revenues represent approximately \$48.791 million or 20.24% of total General Fund revenues. This source, in both Tennessee and the greater Knoxville area came in much higher than anticipated, despite the pandemic, for FY 2021. Growth for FY2021 increased by 12.10%, or \$5.264 million when compared to FY2020. Going forward we forecast moderate annual growth in the 2% to 3% range.

The third largest revenue category of the General Fund is intergovernmental revenue, and accounts for \$33.8 million or 14.04% of total revenue. When compared to FY2020 this represents an increase of approximately \$7.46 million or 28.29%. The majority of the change in this category was due to increases in receipts from the State for Coronavirus Relief Funds (\$4.95 million) and State Shared Sales Tax (\$2.68 million). Historically the Hall Income Tax has been an extremely volatile revenue. To offset this volatility the revenue is budgeted very conservatively. Due to a change in the state law, the Hall Income tax was being phased out, with annual 20% reductions which began in FY2017 and was completely phased out at the end of FY2021.

Other revenue sources include fines and forfeitures and miscellaneous revenue items remain constant. As expected due the effects of Covid-19, Charges for Services was flat to FY2020.

In summary, the revenue picture is relatively good in most areas. Revenues are expected to maintain modest growth levels. The largest concerns on this side of the ledger are salary, benefit, and pension costs.

Fund balance grew due to the federal and state Covid-19 support, effective management of expenditures and conservative forecasting of revenues.

The largest expected increase in costs is associated with pension expenditures. The City has a defined benefit system for all employees under varying plans since 1929. In 2012, the Citizens approved the latest tier for employees hired after January 1, 2013. The new plan (Plan H) is a hybrid plan and is expected to reduce future costs while still providing a lifetime monthly benefit to the employees. However, the legacy plans in place are currently underfunded. The Actuarially Determined Contributions (ADC) includes an amortization of the unfunded liability which is being amortized over a closed 30 year period and currently has 17 years remaining as of July 1, 2021. For the next few years, the amortization of the unfunded liability will cause the contributions to increase before leveling off.

Salaries and related costs are expected to continue to rise. The City has a longstanding ordinance which mandates a two and one half percent (2 1/2 %) annual increase. This requirement typically results in increased costs. The City has maintained staffing levels at a fairly consistent level over the past years. The primary benefit costs are pension and health care. The City has experienced premium increases in recent years, but has managed to absorb these increases with no changes in rates. There is no expectation that this can continue into the future. The City makes a concerted effort, through plan design changes and a focus on wellness, to contain health care costs. This focus has enabled the City to hold increases below national averages. The City operates a self-insurance plan and believes that it has adequate reserves to deal with any extraordinary costs.

Furthermore, except for the Covid-19 pandemic, the performance of the Convention Center has improved over the past several years, lowering the expected operating loss on the facility. The downtown area also continues to thrive and should continue to grow in the future. Many family oriented programs are offered in the area known as Market Square and its adjoining Gay Street which bring visitors into the downtown area from the surrounding areas. The area normally bustles with many entertainment offerings and numerous restaurants.

As part of its efforts to proactively address potential challenges, the City does long-term budget forecasting. This allows us to recognize potential opportunities and respond to them. The City is also actively engaged in performance measurement and productivity improvement efforts. We believe that these efforts will allow us potential opportunities to contain future expenditure increases.

FINANCIAL CONTACT

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

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CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Combined Discretely Presented	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government	Component Units	
Assets					
Cash and cash equivalents	\$ 14,023,197	\$ 5,634,406	\$ 19,657,603	\$ 175,335,374	\$ 194,992,977
Investments	429,375,083	71,784,126	501,159,209	124,003,552	625,162,761
Receivables (net of allowance for uncollectibles):					
Accounts	12,458,283	2,571,501	15,029,784	104,168,029	119,197,813
Taxes	155,553,481	-	155,553,481	-	155,553,481
Notes and leases	20,017,034	-	20,017,034	-	20,017,034
TVA conservation program	-	-	-	1,103,185	1,103,185
Other	-	-	-	1,211,107	1,211,107
Internal balances	4,791,015	(4,791,015)	-	-	-
Due from component units	12,646,944	-	12,646,944	-	12,646,944
Inventories	2,357,532	99,627	2,457,159	16,770,708	19,227,867
Prepaid items	-	117,142	117,142	8,334,971	8,452,113
Equity interest in joint venture	1,423,744	271,089	1,694,833	-	1,694,833
Deferred charges	-	-	-	647,444	647,444
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	38,817,525	38,817,525
Receivables	-	-	-	1,072,153	1,072,153
Other	-	-	-	1,515	1,515
Net pension asset	-	-	-	45,099,288	45,099,288
Net other postemployment benefits asset	-	-	-	5,931,828	5,931,828
Other assets	-	-	-	12,921,483	12,921,483
Capital assets:					
Land and site improvements	85,030,226	7,686,303	92,716,529	165,451,023	258,167,552
Buildings and improvements	81,584,990	233,647,039	315,232,029	206,448,642	521,680,671
Utility plant in service	-	-	-	2,999,084,673	2,999,084,673
Equipment, furniture and fixtures	133,002,878	11,485,773	144,488,651	68,298,900	212,787,551
Infrastructure and site improvements	494,380,776	31,761,747	526,142,523	557,914	526,700,437
Construction in progress	33,285,929	6,200	33,292,129	341,133,078	374,425,207
Less accumulated depreciation	(391,365,001)	(138,290,335)	(529,655,336)	(1,280,424,143)	(1,810,079,479)
Total assets	1,088,566,111	221,983,603	1,310,549,714	3,035,968,249	4,346,517,963
Deferred outflows of resources					
Pensions	72,441,937	-	72,441,937	8,251,618	80,693,555
Other postemployment benefits	5,192,286	-	5,192,286	21,401	5,213,687
Unamortized bond refunding	-	-	-	15,733,160	15,733,160
Total deferred outflows of resources	77,634,223	-	77,634,223	24,006,179	101,640,402
Liabilities					
Accounts payable	12,687,955	1,351,313	14,039,268	84,216,517	98,255,785
Matured principal and interest on bonds	-	-	-	11,831,762	11,831,762
Accrued liabilities	5,538,378	1,115,243	6,653,621	26,325,185	32,978,806
Due to primary government	-	-	-	12,646,944	12,646,944
Due to other governmental agencies	416,147	-	416,147	-	416,147
Customer deposits, plus accrued interest	983,256	194,475	1,177,731	21,157,409	22,335,140
Accrued interest	1,285,752	370,505	1,656,257	70,172	1,726,429
Unearned revenue	-	196,889	196,889	-	196,889
Noncurrent liabilities due within one year:					
Long-term debt due within one year	7,332,204	5,602,731	12,934,935	42,545,000	55,479,935
Other noncurrent liabilities due within one year	12,040,971	6,981	12,047,952	112,620,811	124,668,763
Noncurrent liabilities due in more than one year:					
Long-term debt due in more than one year	104,763,921	77,726,686	182,490,607	1,034,020,000	1,216,510,607
Other noncurrent liabilities due in more than one year	18,599,077	-	18,599,077	22,525,776	41,124,853
Net pension liability	232,980,692	-	232,980,692	18,714	232,999,406
Other postemployment benefits liability	18,344,551	-	18,344,551	-	18,344,551
Total liabilities	414,972,904	86,564,823	501,537,727	1,367,978,290	1,869,516,017
Deferred inflows of resources					
Pensions	4,755,360	264,382	5,019,742	36,182,182	41,201,924
Other postemployment benefits	156,424	-	156,424	7,958,606	8,115,030
Deferred revenue	14,820,087	-	14,820,087	-	14,820,087
Bond refunding gain	1,426,428	261,627	1,688,055	-	1,688,055
Unamortized bond refunding costs	-	-	-	154,540	154,540
Assessed and unlevied property taxes	138,670,363	-	138,670,363	2,320,239	140,990,602
Total deferred inflows of resources	159,828,662	526,009	160,354,671	46,615,567	206,970,238
Net position					
Net investment in capital assets	326,383,673	62,967,310	389,350,983	1,325,864,554	1,715,215,537
Restricted for:					
Debt service	-	-	-	21,753,887	21,753,887
Park maintenance:					
Nonexpendable	624,067	-	624,067	-	624,067
Expendable	391,006	-	391,006	-	391,006
Community development	1,602,342	-	1,602,342	-	1,602,342
Streets	3,889,471	-	3,889,471	-	3,889,471
Solid waste	4,170,483	-	4,170,483	-	4,170,483
Other	3,787,312	-	3,787,312	6,305,544	10,092,856
Unrestricted	250,550,414	71,925,461	322,475,875	291,456,586	613,932,461
Total net position	\$ 591,398,768	\$ 134,892,771	\$ 726,291,539	\$ 1,645,380,571	\$ 2,371,672,110

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General Government	\$ 56,147,188	\$ 1,144,661	\$ 1,080,024	\$ -
Public Safety	112,691,314	6,300,280	576,183	348,618
Physical Environment	56,075,519	2,425,592	23,017	6,162,152
Transportation	5,947,360	353,855	-	-
Economic Development	16,533,913	522,438	6,652,297	7,658,723
Parks & Recreation	12,489,663	402,231	-	-
Health & Sanitation	10,087,016	51,474	-	92,569
Interest on long-term debt	1,785,154	-	-	-
Total governmental activities	<u>271,757,127</u>	<u>11,200,531</u>	<u>8,331,521</u>	<u>14,262,062</u>
Business-type activities:				
Metro Parking	4,787,699	3,338,589	-	-
Public Assembly Facilities	4,837,232	1,237,171	-	-
Knoxville Convention Center	14,967,516	1,405,350	1,500,000	-
Municipal Golf Courses	1,573,251	1,469,314	-	-
Total business-type activities	<u>26,165,698</u>	<u>7,450,424</u>	<u>1,500,000</u>	<u>-</u>
Total primary government	<u>\$ 297,922,825</u>	<u>\$ 18,650,955</u>	<u>\$ 9,831,521</u>	<u>\$ 14,262,062</u>
Combined discretely presented component units	<u>\$ 810,355,059</u>	<u>\$ 854,920,470</u>	<u>\$ 5,685,871</u>	<u>\$ 43,894,881</u>

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

Change in net position

Net position - beginning of year
Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Combined	Total
Governmental	Business-type		Discretely	
Activities	Activities	Total	Presented	Reporting
			Component Units	Unit
\$ (53,922,503)	\$ -	\$ (53,922,503)	\$ -	\$ (53,922,503)
(105,466,233)	-	(105,466,233)	-	(105,466,233)
(47,464,758)	-	(47,464,758)	-	(47,464,758)
(5,593,505)	-	(5,593,505)	-	(5,593,505)
(1,700,455)	-	(1,700,455)	-	(1,700,455)
(12,087,432)	-	(12,087,432)	-	(12,087,432)
(9,942,973)	-	(9,942,973)	-	(9,942,973)
(1,785,154)	-	(1,785,154)	-	(1,785,154)
<u>(237,963,013)</u>	<u>-</u>	<u>(237,963,013)</u>	<u>-</u>	<u>(237,963,013)</u>
-	(1,449,110)	(1,449,110)	-	(1,449,110)
-	(3,600,061)	(3,600,061)	-	(3,600,061)
-	(12,062,166)	(12,062,166)	-	(12,062,166)
-	(103,937)	(103,937)	-	(103,937)
-	(17,215,274)	(17,215,274)	-	(17,215,274)
<u>(237,963,013)</u>	<u>(17,215,274)</u>	<u>(255,178,287)</u>	<u>-</u>	<u>(255,178,287)</u>
-	-	-	94,146,163	94,146,163
153,932,767	-	153,932,767	-	153,932,767
85,533,814	7,878,796	93,412,610	4,978,720	98,391,330
-	450,676	450,676	-	450,676
192,511	3,864,350	4,056,861	-	4,056,861
2,003,342	-	2,003,342	-	2,003,342
14,603,877	-	14,603,877	-	14,603,877
8,037,278	-	8,037,278	-	8,037,278
1,605,398	-	1,605,398	-	1,605,398
2,877,002	400,115	3,277,117	6,157,356	9,434,473
943,544	112,561	1,056,105	965,525	2,021,630
87,197	-	87,197	-	87,197
(6,861,262)	6,861,262	-	-	-
<u>262,955,468</u>	<u>19,567,760</u>	<u>282,523,228</u>	<u>12,101,601</u>	<u>294,624,829</u>
24,992,455	2,352,486	27,344,941	106,247,764	133,592,705
566,406,313	132,540,285	698,946,598	1,539,132,807	2,238,079,405
<u>\$ 591,398,768</u>	<u>\$ 134,892,771</u>	<u>\$ 726,291,539</u>	<u>\$ 1,645,380,571</u>	<u>\$ 2,371,672,110</u>

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue Fund Miscellaneous Community Development Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 5,443,561	\$ 100	\$ 1,334,822	\$ 296,330	\$ 2,608,282	\$ 9,683,095
Investments	71,629,710	71,541,875	125,742,062	1,370,537	21,080,160	291,364,344
Accounts receivable	1,586,471	255,070	5,619,810	668,007	3,638,245	11,767,603
Taxes receivable	130,929,718	24,623,763	-	-	-	155,553,481
Notes receivable	6,170,754	-	-	9,601,215	4,245,065	20,017,034
Due from other funds	17,315,540	-	4,122,870	1,500,000	-	22,938,410
Due from component unit	12,646,944	-	-	-	-	12,646,944
Inventories	418,309	-	5,200	-	528,763	952,272
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 246,141,007</u>	<u>\$ 96,420,808</u>	<u>\$ 136,824,764</u>	<u>\$ 13,436,089</u>	<u>\$ 32,100,515</u>	<u>\$ 524,923,183</u>
Liabilities						
Accounts payable	\$ 4,207,188	\$ -	\$ 4,257,260	\$ 353,862	\$ 2,367,824	\$ 11,186,134
Accrued liabilities	3,185,214	-	1,653,773	10,643	312,504	5,162,134
Customer deposits	-	-	-	-	976,763	976,763
Due to other funds	12,794,313	5,807,908	-	396,593	2,684,667	21,683,481
Due to other governmental agencies	452,435	2,586	-	-	30,222	485,243
Total liabilities	<u>20,639,150</u>	<u>5,810,494</u>	<u>5,911,033</u>	<u>761,098</u>	<u>6,371,980</u>	<u>39,493,755</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	116,599,833	24,533,016	-	-	-	141,132,849
Unavailable revenue - other	-	-	2,012,318	11,072,649	4,295,120	17,380,087
Total deferred inflows of resources	<u>116,599,833</u>	<u>24,533,016</u>	<u>2,012,318</u>	<u>11,072,649</u>	<u>4,295,120</u>	<u>158,512,936</u>
Fund Balances						
Non-spendable	418,309	-	5,200	-	1,152,830	1,576,339
Restricted	-	-	-	1,602,342	12,238,272	13,840,614
Committed	51,467,721	66,077,298	128,896,213	-	7,821,945	254,263,177
Assigned	35,875,215	-	-	-	653,044	36,528,259
Unassigned	21,140,779	-	-	-	(432,676)	20,708,103
Total fund balances	<u>108,902,024</u>	<u>66,077,298</u>	<u>128,901,413</u>	<u>1,602,342</u>	<u>21,433,415</u>	<u>326,916,492</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 246,141,007</u>	<u>\$ 96,420,808</u>	<u>\$ 136,824,764</u>	<u>\$ 13,436,089</u>	<u>\$ 32,100,515</u>	<u>\$ 524,923,183</u>

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

CITY OF KNOXVILLE, TENNESSEE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Fund balance - governmental funds	\$326,916,492
Capital assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.	392,965,043
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.	5,022,486
Internal service funds are used by management to charge the costs of office service, fleet management, risk management, health insurance and equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	166,446,900
Accrued interest payable is not due and payable in the current period and therefore is not reported as a liability in the balance sheets of the governmental funds.	(1,285,752)
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Net pension liability	(227,845,665)
Other postemployment benefits obligation	(18,344,551)
Deferred outflows of resources related to pensions	70,851,103
Deferred outflows of resources related to other postemployment benefits	5,192,286
Deferred inflows of resources related to pensions	(4,650,549)
Deferred inflows of resources related to other postemployment benefits	(156,424)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation debt	(94,685,000)
Discounts and premiums (net)	(17,411,125)
Deferred inflows of resources related to refunding gain	(1,426,428)
Compensated absences	(10,190,048)
	(123,712,601)
Net position - governmental activities	<u>\$ 591,398,768</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, assessments, interest & penalties	\$ 203,946,100	\$ 23,939,400	\$ -	\$ -	\$ 6,473,351	\$ 234,358,851
Licenses, permits & inspection charges	330,199	-	-	-	2,969,829	3,300,028
Intergovernmental	33,833,082	-	8,368,382	1,822,436	5,020,394	49,044,294
Charge for services	1,618,547	-	-	1,034,431	3,265,505	5,918,483
Fines & forfeitures	558,870	-	-	-	2,179,235	2,738,105
Other	755,331	761,957	5,594,782	81,006	896,903	8,089,979
Total revenues	<u>241,042,129</u>	<u>24,701,357</u>	<u>13,963,164</u>	<u>2,937,873</u>	<u>20,805,217</u>	<u>303,449,740</u>
Expenditures:						
Current:						
Administration	4,958,516	-	-	-	-	4,958,516
Finance	3,980,274	-	-	-	199,998	4,180,272
Information Systems	4,409,403	-	-	-	-	4,409,403
Community Development	5,733,200	-	-	2,527,903	3,621,907	11,883,010
Waterfront	329,859	-	-	-	-	329,859
Parks & Recreation	7,689,904	-	-	-	35,723	7,725,627
Mass Transit	4,978,720	-	-	-	-	4,978,720
Engineering	6,981,140	-	-	-	6,753,351	13,734,491
Public Services	24,100,518	-	-	-	12,593,761	36,694,279
Law	2,210,562	-	-	-	956,353	3,166,915
Police	57,700,301	-	-	-	2,724,671	60,424,972
Emergency Management	487,162	-	-	-	14,190	501,352
Fire	43,575,124	-	-	-	9,756	43,584,880
Codes enforcement	683,375	-	-	-	-	683,375
Legislative	1,010,455	-	-	-	10,154	1,020,609
Civil Service	1,124,974	-	-	-	-	1,124,974
Knoxville Partnership	641,300	-	-	-	-	641,300
Metropolitan Planning Commission	1,266,900	-	-	-	-	1,266,900
Knoxville Zoological Park	1,463,450	-	-	-	-	1,463,450
Community Agency Grants	1,867,500	-	-	-	-	1,867,500
Community Action Committee	968,640	-	-	-	-	968,640
Tax Increment Payments	3,003,838	-	-	-	-	3,003,838
Other general government	20,031,270	-	-	-	-	20,031,270
Capital & grant projects	-	-	44,295,796	-	-	44,295,796
Debt service:						
Issuance costs	-	80,169	-	-	-	80,169
Principal retirement	-	40,811,100	-	-	-	40,811,100
Interest payments on bonds & notes	-	1,629,049	-	-	-	1,629,049
Total expenditures	<u>199,196,385</u>	<u>42,520,318</u>	<u>44,295,796</u>	<u>2,527,903</u>	<u>26,919,864</u>	<u>315,460,266</u>
Excess (deficiency) of revenues over (under) expenditures	41,845,744	(17,818,961)	(30,332,632)	409,970	(6,114,647)	(12,010,526)
Other financing sources (uses)						
Bonds proceeds	-	81,380,000	-	-	-	81,380,000
Debt issue premium	-	16,982,599	-	-	-	16,982,599
Transfers in	1,812,873	1,477,740	78,653,931	1,620	11,419,934	93,366,098
Transfers out	(23,382,385)	(73,173,571)	(1,221,425)	-	(4,291,529)	(102,068,910)
Total other financing sources (uses)	<u>(21,569,512)</u>	<u>26,666,768</u>	<u>77,432,506</u>	<u>1,620</u>	<u>7,128,405</u>	<u>89,659,787</u>
Net change in fund balances	20,276,232	8,847,807	47,099,874	411,590	1,013,758	77,649,261
Fund balances - beginning	<u>88,625,792</u>	<u>57,229,491</u>	<u>81,801,539</u>	<u>1,190,752</u>	<u>20,419,657</u>	<u>249,267,231</u>
Fund balances - ending	<u>\$ 108,902,024</u>	<u>\$ 66,077,298</u>	<u>\$ 128,901,413</u>	<u>\$ 1,602,342</u>	<u>\$ 21,433,415</u>	<u>\$ 326,916,492</u>

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

CITY OF KNOXVILLE, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net change in fund balances - total governmental funds	\$ 77,649,261
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlay that meet criteria for capitalization (\$30,791,005) exceeds depreciation expenses (\$19,968,805).	10,822,200
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,088,465)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(56,710,398)
Change in accrued interest associated with long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.	(973,789)
Pension expense not reported in the funds	(10,092,284)
Other postemployment benefit income (expense) not reported in the funds	(903,553)
The internal service fund is used by management to charge the costs of fleet maintenance.	4,065,147
The internal service fund is used by management to charge the costs of risk management.	1,375,435
The internal service fund is used by management to charge the costs of employee health insurance.	401,836
The internal service fund is used by management to charge the costs of equipment replacement.	19,517
The internal service fund is used by management to charge the costs of City buildings.	<u>427,548</u>
Change in net position - governmental activities	<u>\$ 24,992,455</u>

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	\$ 102,782,000	\$ 102,782,000	\$ 104,027,567	\$ -	\$ 104,027,567	\$ 1,245,567
Prior years	4,258,000	4,258,000	4,496,159	-	4,496,159	238,159
Business taxes	7,507,020	7,507,020	8,029,666	-	8,029,666	522,646
Local shared sales tax	42,168,320	42,168,320	48,791,284	-	48,791,284	6,622,964
Alcoholic beverage taxes	13,450,800	13,450,800	14,603,877	-	14,603,877	1,153,077
Payments in lieu of taxes	24,230,000	24,230,000	22,392,149	-	22,392,149	(1,837,851)
Franchise fees	1,526,000	1,526,000	1,605,398	-	1,605,398	79,398
Intergovernmental -						
Federal	950,000	950,000	1,221,481	-	1,221,481	271,481
State -						
Sales tax	15,365,000	15,365,000	19,465,543	-	19,465,543	4,100,543
Income tax	1,600,000	1,600,000	2,192,384	-	2,192,384	592,384
Other	4,008,010	6,820,510	10,382,587	-	10,382,587	3,562,077
Local	282,600	282,600	571,087	-	571,087	288,487
Licenses and permits	355,580	355,580	330,199	-	330,199	(25,381)
Fines & forfeits	659,810	659,810	558,870	-	558,870	(100,940)
Charges for services	2,058,940	2,058,940	1,618,547	-	1,618,547	(440,393)
Other -						
Interest	1,261,050	4,670,081	318,455	-	318,455	(4,351,626)
Rents & concessions	114,600	114,600	97,151	-	97,151	(17,449)
Miscellaneous	594,960	1,170,356	339,725	-	339,725	(830,631)
Total revenues	<u>223,172,690</u>	<u>229,969,617</u>	<u>241,042,129</u>	<u>-</u>	<u>241,042,129</u>	<u>11,072,512</u>
Expenditures						
Current -						
Administration	5,311,390	6,492,723	4,958,516	338,292	5,296,808	1,195,915
Finance	4,639,840	4,467,970	3,980,274	32,354	4,012,628	455,342
Information systems	4,564,910	4,637,395	4,409,403	22,785	4,432,188	205,207
Community development	6,596,120	10,181,974	5,733,200	3,573,083	9,306,283	875,691
Waterfront	384,990	410,000	329,859	-	329,859	80,141
Parks & recreation	8,303,200	8,292,457	7,689,904	53,425	7,743,329	549,128
Mass transit	13,702,840	13,702,840	4,978,720	-	4,978,720	8,724,120
Public services	26,193,710	26,120,142	24,100,518	85,723	24,186,241	1,933,901
Engineering	7,034,860	7,306,576	6,981,140	88,971	7,070,111	236,465
Law	2,066,090	2,252,283	2,210,562	35,799	2,246,361	5,922
Police	58,056,210	59,426,743	57,700,301	210,639	57,910,940	1,515,803
Emergency management	723,490	713,856	487,162	280	487,442	226,414
Fire	42,222,770	43,611,326	43,575,124	30,514	43,605,638	5,688
Codes enforcement	862,550	867,464	683,375	74	683,449	184,015
Legislative	1,099,520	1,123,270	1,010,455	14,958	1,025,413	97,857
Civil service	1,095,320	1,308,195	1,124,974	12,516	1,137,490	170,705
Nondepartmental -						
City elections	10,000	10,000	-	-	-	10,000
Knoxville partnership	641,300	641,300	641,300	-	641,300	-
Metropolitan planning commission	1,266,900	1,266,900	1,266,900	-	1,266,900	-
Knoxville zoological gardens	1,463,450	1,463,450	1,463,450	-	1,463,450	-
Community agency grants	1,767,500	1,867,500	1,867,500	-	1,867,500	-
Community action committee	968,640	968,643	968,640	-	968,640	3
Tax increment payments	2,884,810	3,005,860	3,003,838	-	3,003,838	2,022
Other general government	22,367,970	21,007,970	20,031,270	-	20,031,270	976,700
Total expenditures	<u>214,228,380</u>	<u>221,146,837</u>	<u>199,196,385</u>	<u>4,499,413</u>	<u>203,695,798</u>	<u>17,451,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,944,310</u>	<u>8,822,780</u>	<u>41,845,744</u>	<u>(4,499,413)</u>	<u>37,346,331</u>	<u>28,523,551</u>
Other Financing Sources (Uses)						
Transfers in	5,787,410	6,906,460	1,812,873	-	1,812,873	(5,093,587)
Transfers out	(26,830,720)	(28,434,470)	(23,382,385)	-	(23,382,385)	5,052,085
Appropriated fund balance	12,099,000	12,705,230	-	-	-	(12,705,230)
Total other financing sources (uses)	<u>(8,944,310)</u>	<u>(8,822,780)</u>	<u>(21,569,512)</u>	<u>-</u>	<u>(21,569,512)</u>	<u>(12,746,732)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>20,276,232</u>	<u>(4,499,413)</u>	<u>15,776,819</u>	<u>\$ 15,776,819</u>
Fund balance - beginning			<u>88,625,792</u>	<u>-</u>	<u>88,625,792</u>	
Fund balance - ending			<u>\$ 108,902,024</u>	<u>\$ (4,499,413)</u>	<u>\$ 104,402,611</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 MISCELLANEOUS COMMUNITY DEVELOPMENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Intergovernmental	\$ 1,151,270	\$ 1,151,270	\$ 1,822,436	\$ 671,166
Charges for services	500,000	500,000	1,034,431	534,431
Appropriated fund balance	1,575,000	1,575,000	-	(1,575,000)
Other	-	-	81,006	81,006
Total revenues	<u>3,226,270</u>	<u>3,226,270</u>	<u>2,937,873</u>	<u>(288,397)</u>
Expenditures				
Current:				
Community Development	<u>3,226,270</u>	<u>3,227,890</u>	<u>2,527,903</u>	<u>699,987</u>
Total expenditures	<u>3,226,270</u>	<u>3,227,890</u>	<u>2,527,903</u>	<u>699,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,620)</u>	<u>409,970</u>	<u>411,590</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>1,620</u>	<u>1,620</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>411,590</u>	<u>\$ 411,590</u>
Fund balances - beginning			<u>1,190,752</u>	
Fund balances - ending			<u>\$ 1,602,342</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2021

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Assets				
Current assets:				
Cash & temporary investments	\$ 2,613,841	\$ 3,020,565	\$ 5,634,406	\$ 4,340,102
Investments	60,221,266	11,562,860	71,784,126	138,010,739
Accounts receivable	2,121,825	449,676	2,571,501	690,680
Due from other funds	-	1,700,000	1,700,000	3,607,908
Inventories	83,491	16,136	99,627	1,405,260
Prepaid items	61,705	55,437	117,142	-
Total current assets	<u>65,102,128</u>	<u>16,804,674</u>	<u>81,906,802</u>	<u>148,054,689</u>
Noncurrent assets:				
Land and site improvements	3,302,020	4,384,283	7,686,303	-
Buildings and improvements	161,370,316	72,276,723	233,647,039	257,391
Equipment, furniture and fixtures	6,088,068	5,397,705	11,485,773	110,381,501
Infrastructure and site improvements	30,605,945	1,155,802	31,761,747	-
Construction in progress	-	6,200	6,200	50,099
Less: accumulated depreciation	<u>(94,000,498)</u>	<u>(44,289,837)</u>	<u>(138,290,335)</u>	<u>(67,734,236)</u>
Total capital assets (net of accumulated depreciation):	107,365,851	38,930,876	146,296,727	42,954,755
Equity interest in joint venture	271,089	-	271,089	1,423,744
Total noncurrent assets	<u>107,636,940</u>	<u>38,930,876</u>	<u>146,567,816</u>	<u>44,378,499</u>
Total assets	<u>172,739,068</u>	<u>55,735,550</u>	<u>228,474,618</u>	<u>192,433,188</u>
Deferred outflows of resources				
Pensions	-	-	-	1,590,834
Total deferred outflows of resources	-	-	-	<u>1,590,834</u>
Liabilities				
Current liabilities:				
Accounts payable	798,738	552,575	1,351,313	1,501,821
Accrued liabilities	370,505	1,122,224	1,492,729	376,244
Customer deposits	194,475	-	194,475	6,493
Unearned revenue	27,081	169,808	196,889	-
Due to other funds	6,143,253	347,762	6,491,015	2,726
Long-term debt due within one year	5,602,731	-	5,602,731	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	<u>13,136,783</u>	<u>2,192,369</u>	<u>15,329,152</u>	<u>6,987,284</u>
Noncurrent liabilities:				
Long-term debt due in more than one year	77,726,686	-	77,726,686	-
Estimated claims liability	-	-	-	15,350,000
Net pension liability	-	-	-	5,135,027
Total noncurrent liabilities	<u>77,726,686</u>	<u>-</u>	<u>77,726,686</u>	<u>20,485,027</u>
Total liabilities	<u>90,863,469</u>	<u>2,192,369</u>	<u>93,055,838</u>	<u>27,472,311</u>
Deferred inflows of resources				
Pensions	-	264,382	264,382	104,811
Bond refunding gain	261,627	-	261,627	-
Total deferred inflows of resources	<u>261,627</u>	<u>264,382</u>	<u>526,009</u>	<u>104,811</u>
NET POSITION				
Net investment in capital assets	24,036,434	38,930,876	62,967,310	42,954,755
Unrestricted	<u>57,577,538</u>	<u>14,347,923</u>	<u>71,925,461</u>	<u>123,492,145</u>
Total net position	<u>\$ 81,613,972</u>	<u>\$ 53,278,799</u>	<u>\$ 134,892,771</u>	<u>\$ 166,446,900</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating revenues				
Charges for services	\$ 1,405,350	\$ 6,045,074	\$ 7,450,424	\$ 49,077,859
Total operating revenues	<u>1,405,350</u>	<u>6,045,074</u>	<u>7,450,424</u>	<u>49,077,859</u>
Operating expenses				
Personal services	-	173,735	173,735	4,752,170
Materials & supplies	193,618	671,035	864,653	3,932,188
Depreciation & amortization	4,698,832	2,739,696	7,438,528	9,569,506
Other operating expenses	<u>9,243,428</u>	<u>7,613,716</u>	<u>16,857,144</u>	<u>27,806,919</u>
Total operating expenses	<u>14,135,878</u>	<u>11,198,182</u>	<u>25,334,060</u>	<u>46,060,783</u>
Operating income (loss)	<u>(12,730,528)</u>	<u>(5,153,108)</u>	<u>(17,883,636)</u>	<u>3,017,076</u>
Nonoperating revenues (expense)				
Interest income	96,101	16,460	112,561	199,188
Intergovernmental revenue	12,999,724	35,728	13,035,452	-
Other revenues (expenses)	241,283	158,832	400,115	689,946
Interest expense	<u>(831,638)</u>	<u>-</u>	<u>(831,638)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>12,505,470</u>	<u>211,020</u>	<u>12,716,490</u>	<u>889,134</u>
Income (loss) before transfers and capital contributions	<u>(225,058)</u>	<u>(4,942,088)</u>	<u>(5,167,146)</u>	<u>3,906,210</u>
Transfers in	3,734,060	3,131,960	6,866,020	3,298,106
Transfers out	(4,758)	-	(4,758)	(1,456,556)
Capital contributions	<u>-</u>	<u>658,370</u>	<u>658,370</u>	<u>541,723</u>
Change in net position	<u>3,504,244</u>	<u>(1,151,758)</u>	<u>2,352,486</u>	<u>6,289,483</u>
Net position, beginning of year	<u>78,109,728</u>	<u>54,430,557</u>	<u>132,540,285</u>	<u>160,157,417</u>
Net position, end of year	<u>\$ 81,613,972</u>	<u>\$ 53,278,799</u>	<u>\$ 134,892,771</u>	<u>\$ 166,446,900</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating activities				
Cash received from customers and users	\$ 1,016,915	\$ 5,901,650	\$ 6,918,565	\$ -
Receipts from interfund services provided	-	-	-	48,477,048
Cash paid to suppliers	(9,481,023)	(8,368,650)	(17,849,673)	(10,582,723)
Cash paid to employees	-	(171,421)	(171,421)	(4,810,960)
Cash paid for interfund services used	-	-	-	(2,828,901)
Payments of claims and insurance	-	-	-	(19,339,843)
Net cash provided by (used in) operating activities	<u>(8,464,108)</u>	<u>(2,638,421)</u>	<u>(11,102,529)</u>	<u>10,914,621</u>
Noncapital financing activities				
Transfers from other funds	9,877,313	4,118,909	13,996,222	(1,418,014)
Transfers to other funds	(4,758)	(13,987)	(18,745)	(345,618)
Tax and intergovernmental revenues	<u>13,241,007</u>	<u>417,522</u>	<u>13,658,529</u>	<u>689,946</u>
Net cash provided by (used in) noncapital financing activities	<u>23,113,562</u>	<u>4,522,444</u>	<u>27,636,006</u>	<u>(1,073,686)</u>
Capital and related financing activities				
Principal paid on general obligation bond maturities	(6,131,797)	-	(6,131,797)	-
Interest paid	(831,638)	-	(831,638)	-
Acquisition and construction of capital assets	(1,672,396)	(633,369)	(2,305,765)	(11,758,059)
Refunding gain	261,627	-	261,627	-
Capital contributions	-	399,680	399,680	541,723
Net cash provided by (used in) capital and related financing activities	<u>(8,374,204)</u>	<u>(233,689)</u>	<u>(8,607,893)</u>	<u>(11,216,336)</u>
Investing activities				
Sales/(purchases) of investments, net	(8,060,806)	(862,590)	(8,923,396)	1,978,775
Investment earnings	96,101	16,460	112,561	199,188
Net change in equity investment in joint venture	6,755	-	6,755	(39,123)
Net cash provided by (used in) investing activities	<u>(7,957,950)</u>	<u>(846,130)</u>	<u>(8,804,080)</u>	<u>2,138,840</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,682,700)</u>	<u>804,204</u>	<u>(878,496)</u>	<u>763,439</u>
Cash and cash equivalents				
Beginning of year	<u>4,296,541</u>	<u>2,216,361</u>	<u>6,512,902</u>	<u>3,576,663</u>
End of year	<u>\$ 2,613,841</u>	<u>\$ 3,020,565</u>	<u>\$ 5,634,406</u>	<u>\$ 4,340,102</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (12,730,528)	\$ (5,153,108)	\$ (17,883,636)	\$ 3,017,076
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,698,832	2,739,696	7,438,528	9,569,506
Pension expense (negative expense)	-	(264,385)	(264,385)	(77,156)
Change in assets and liabilities				
(Increase) decrease in receivables	(370,880)	(151,543)	(522,423)	(600,811)
(Increase) decrease in prepayments	(26,301)	(18,282)	(44,583)	-
(Increase) decrease in inventories	4,105	2,774	6,879	(82,424)
Increase (decrease) in accounts payable	(210,866)	31,816	(179,050)	(938,106)
Increase (decrease) in accrued expenses	189,085	169,514	358,599	26,536
Increase (decrease) in deferred revenue	(28,336)	5,097	(23,239)	-
Increase (decrease) in customer deposits	10,781	-	10,781	-
Total adjustments	<u>4,266,420</u>	<u>2,514,687</u>	<u>6,781,107</u>	<u>7,897,545</u>
Net cash provided by (used in) operating activities	<u>\$ (8,464,108)</u>	<u>\$ (2,638,421)</u>	<u>\$ (11,102,529)</u>	<u>\$ 10,914,621</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021

	City Employees' Pension Trust Fund	Combined Custodial Funds
Assets		
Cash	\$ 2,217	\$ 1,177,227
Cash equivalents	10,982,017	-
United States government securities	77,870,612	-
State & municipal government securities	2,713,462	138,864
International securities	206,502,205	-
Corporate bond & indentures	71,236,702	-
Real estate investment trusts	68,633,936	-
Domestic equity securities	281,004,078	-
Pending sales proceeds	2,739,730	-
Other receivables	45	262,285
Accrued interest & dividends	1,250,109	-
Equipment, furniture & fixtures	38,168	-
Accumulated depreciation	(34,082)	-
Total assets	<u>\$ 722,939,199</u>	<u>\$ 1,578,376</u>
Liabilities		
Accounts payable	506,253	-
Investment purchases pending	3,597,900	-
Total liabilities	<u>\$ 4,104,153</u>	<u>\$ -</u>
Net Position Restricted for:		
Pension	718,835,046	-
Health care claims	-	1,578,376
Total net position	<u>\$ 718,835,046</u>	<u>\$ 1,578,376</u>

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

CITY OF KNOXVILLE, TENNESSEE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	City Employees' Pension Trust Fund	Combined Custodial Funds
Additions		
Employee contributions	\$ 4,430,409	\$ -
Employer contributions	28,947,231	1,245,208
Total contributions	<u>33,377,640</u>	<u>1,245,208</u>
Investment earnings:		
Interest and dividends	7,651,978	-
Net appreciation/(depreciation) in the fair value of investments	131,510,220	-
Other income	63,163	-
Total investment earnings (loss)	<u>139,225,361</u>	<u>-</u>
Less investment expense	<u>(3,610,833)</u>	<u>-</u>
Net investment earnings (loss)	<u>135,614,528</u>	<u>-</u>
Total additions (net)	<u>168,992,168</u>	<u>1,245,208</u>
Deductions		
Benefits paid	51,710,349	1,165,673
Refunds	804,450	-
Administration expenses	697,182	-
Total deductions	<u>53,211,981</u>	<u>1,165,673</u>
Change in net position	115,780,187	79,535
Total net position - beginning, as restated (Custodial Funds)	<u>603,054,859</u>	<u>1,498,841</u>
Total net position - ending	<u>\$ 718,835,046</u>	<u>\$ 1,578,376</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2021

	Component Units			
	Metropolitan			Total Component Units
	Knoxville Utilities Board	Knoxville Airport Authority	Knoxville Area Transit	
Assets				
Cash and cash equivalents	\$ 119,377,875	\$ 52,155,551	\$ 3,801,948	\$ 175,335,374
Investments	111,022,519	11,683,765	1,297,268	124,003,552
Receivables (net of allowance for uncollectibles):				
Accounts	79,806,900	7,586,604	16,774,525	104,168,029
TVA conservation program	1,103,185	-	-	1,103,185
Other	6,782	1,204,325	-	1,211,107
Inventories	15,194,524	-	1,576,184	16,770,708
Prepaid items	7,378,947	956,024	-	8,334,971
Deferred charges	-	647,444	-	647,444
Restricted assets:				
Temporarily restricted:				
Bond funds	33,585,649	5,231,876	-	38,817,525
Receivables	-	1,072,153	-	1,072,153
Other	1,515	-	-	1,515
Net pension asset	45,099,288	-	-	45,099,288
Net OPEB asset	5,931,828	-	-	5,931,828
Other assets	12,921,483	-	-	12,921,483
Capital assets:				
Land and site improvements	-	163,251,787	2,199,236	165,451,023
Buildings and improvements	-	173,569,019	32,879,623	206,448,642
Utility plant in service	2,999,084,673	-	-	2,999,084,673
Equipment, furniture and fixtures	-	24,745,110	43,553,790	68,298,900
Infrastructure and site improvements	-	-	557,914	557,914
Construction in progress	189,507,909	151,625,169	-	341,133,078
Less accumulated depreciation	(999,438,900)	(239,507,798)	(41,477,445)	(1,280,424,143)
Total assets	<u>2,620,584,177</u>	<u>354,221,029</u>	<u>61,163,043</u>	<u>3,035,968,249</u>
Deferred outflows of resources				
Pensions	8,251,618	-	-	8,251,618
OPEB	21,401	-	-	21,401
Unamortized bond refundings	15,733,160	-	-	15,733,160
Total deferred outflows of resources	<u>24,006,179</u>	<u>-</u>	<u>-</u>	<u>24,006,179</u>
Liabilities				
Accounts payable	80,004,946	2,702,757	1,508,814	84,216,517
Matured principal & interest on bonds	11,831,762	-	-	11,831,762
Accrued liabilities	24,220,522	1,627,925	476,738	26,325,185
Due to primary government	-	-	12,646,944	12,646,944
Customer deposits, plus accrued interest	21,157,409	-	-	21,157,409
Accrued interest	-	70,172	-	70,172
Noncurrent liabilities:				
Long-term debt due within one year	42,545,000	-	-	42,545,000
Long-term debt due in more than one year	999,725,000	34,295,000	-	1,034,020,000
Other liabilities	22,525,776	-	-	22,525,776
Unamortized premiums/discounts	112,620,811	-	-	112,620,811
Net pension liability	18,714	-	-	18,714
Total liabilities	<u>1,314,649,940</u>	<u>38,695,854</u>	<u>14,632,496</u>	<u>1,367,978,290</u>
Deferred inflows of resources				
Pensions	36,182,182	-	-	36,182,182
Unamortized bond refunding costs	154,540	-	-	154,540
OPEB	7,958,606	-	-	7,958,606
Deferred revenue	-	46,500	2,273,739	2,320,239
Total deferred inflows of resources	<u>44,295,328</u>	<u>46,500</u>	<u>2,273,739</u>	<u>46,615,567</u>
Net position				
Net investment in capital assets	1,049,323,580	238,827,856	37,713,118	1,325,864,554
Restricted for:				
Debt service	21,753,887	-	-	21,753,887
Other	1,515	6,304,029	-	6,305,544
Unrestricted	214,566,106	70,346,790	6,543,690	291,456,586
Total net position	<u>\$ 1,285,645,088</u>	<u>\$ 315,478,675</u>	<u>\$ 44,256,808</u>	<u>\$ 1,645,380,571</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units			Total Component Units
					Knoxville Utilities Board	Knoxville Metropolitan Airport Authority	Knoxville Area Transit	
Component units:								
Knoxville Utilities Board	\$ 742,320,003	\$ 822,298,769	\$ -	\$ 982,990	\$ 80,961,756	\$ -	\$ -	\$ 80,961,756
Metropolitan Knoxville Airport Authority	32,889,861	27,525,028	-	24,334,903	-	18,970,070	-	18,970,070
Knoxville Area Transit	35,145,195	5,096,673	5,685,871	18,576,988	-	-	(5,785,663)	(5,785,663)
Total component units	<u>\$ 810,355,059</u>	<u>\$ 854,920,470</u>	<u>\$ 5,685,871</u>	<u>\$ 43,894,881</u>	<u>\$ 80,961,756</u>	<u>\$ 18,970,070</u>	<u>\$ (5,785,663)</u>	<u>\$ 94,146,163</u>
General revenues:								
Intergovernmental revenue, unrestricted					-	-	4,978,720	4,978,720
Other unrestricted revenue (expense)					(6,264,127)	14,362,113	(1,940,630)	6,157,356
Unrestricted investment earnings					828,787	136,738	-	965,525
Total general revenues					<u>(5,435,340)</u>	<u>14,498,851</u>	<u>3,038,090</u>	<u>12,101,601</u>
Change in net position					75,526,416	33,468,921	(2,747,573)	106,247,764
Net position - beginning					<u>1,210,118,672</u>	<u>282,009,754</u>	<u>47,004,381</u>	<u>1,539,132,807</u>
Net position - ending					<u>\$ 1,285,645,088</u>	<u>\$ 315,478,675</u>	<u>\$ 44,256,808</u>	<u>\$ 1,645,380,571</u>

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

1. Knoxville Utilities Board (KUB) provides electric, gas and water and wastewater services to residents of the City and surrounding areas. KUB may not issue debt without the City's approval, although the City does not have any obligation for KUB debt.
2. Metropolitan Knoxville Airport Authority (MKAA) operates two airport facilities that serve Knoxville and the surrounding area. MKAA must obtain City approval to issue debt.
3. Knoxville Area Transit (KAT) operates the public transportation system in Knoxville. The City approves the KAT budget. The City also provides significant operating subsidies to KAT. Additional information may be obtained from the General Manager, 1135 Magnolia Avenue, Knoxville, Tennessee 37917.

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

Knoxville Utilities Board
626 South Gay Street
Knoxville, Tennessee 37929
www.kub.org

Metropolitan Knoxville Airport Authority
P. O. Box 15600
Knoxville, Tennessee 37901
www.tys.org

Joint Ventures

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Related and Jointly Governed Organizations

The following related agencies provide services within the City:

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the City reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Knoxville Utilities Board also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Inventories and Prepaid Items - Inventories in proprietary fund types are stated at the lower of cost or market. Inventories in the governmental fund types are stated at cost. Proprietary fund inventories consist of expendable supplies held for consumption. Inventories of governmental funds consist of supplies and are recorded as expenditures when consumed rather than when purchased (consumption method).

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

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

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

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Knoxville Convention Center was \$831,638 and no interest was capitalized because there were no major construction projects associated with the Convention Center in the current year.

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

Buildings	25 to 50 years
Improvements	5 to 25 years
Infrastructure	25 to 30 years
Equipment	3 to 20 years
Sewer lines	30 years

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Economic Stabilization - The City has a fund balance policy established by the City Council that requires the general fund to maintain a minimum unrestricted fund balance of 20% of ensuing year's appropriated general fund expenditures. The fund has been established for the purposes of setting aside amounts for use in specific and non-routine situations, which include certain emergency and urgent situations, giving the Mayor power to resolve any issues at hand. Utilization of these funds must be reported to the City Council at the next Council meeting. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the Financial Stabilization Account balance to the established minimum level within four years, as established by Charter and the City's Administrative Rules. For the current fiscal year ending June 30, 2021, the City met the minimum general fund balance policy. See Note 12.

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

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

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, and note disclosures, as further described in Note 20 and required supplementary information.

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

Accounting Pronouncements

The City adopted GASB Statement No. 84, Fiduciary Activities, required for fiscal periods beginning after December 15, 2019, in fiscal 2021. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. See Note 23.

The City plans to adopt GASB Statement No. 87, Leases, required for fiscal periods beginning after June 15, 2021, in fiscal 2022. This Statement increases the usefulness of financial statement by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The City plans to adopt GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, required for fiscal periods beginning after December 15, 2020, in fiscal 2022. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

The City adopted GASB Statement No. 90, Majority Equity Interests, required for fiscal periods beginning after December 15, 2019, in fiscal 2021. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The adoption of this statement had no impact on the City's financial statements.

The City plans to adopt GASB Statement No. 91, Conduit Debt Obligations, required for fiscal periods beginning after December 15, 2021, in fiscal 2023. This Statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

The City plans to adopt GASB Statement No. 92, Omnibus 2020, required for fiscal periods beginning after June 15, 2021, in fiscal 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The City plans to adopt GASB Statement No. 93, Replacement of Interbank Offered Rates, required for fiscal periods beginning after June 15, 2021, in fiscal 2022, with certain provision in fiscal 2023. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments.

The City plans to adopt GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Arrangements, required for fiscal periods beginning after June 15, 2022, in fiscal 2023. The objective of this Statement is to better meet the information needs of financial users by improving comparability of financial statements among governments that enter in PPP's and APA's.

The City plans to adopt GASB No. 96, Subscription-Based Information Technology Arrangements, required for fiscal periods beginning after June 15, 2022, in fiscal 2023. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements, and enhancing the understandability, relevance, and consistency of information about SBITAs.

The City plans to adopt GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, required for fiscal periods beginning after June 15, 2021, in fiscal 2022. The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The Government adopted GASB Statement No. 98, The Annual Comprehensive Financial Report, effective immediately in fiscal year 2021. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

The following supplemental budgetary appropriations were enacted by City Council during the fiscal year 2021.

General Fund	\$5,005,916
Special Revenue Funds	5,143,028
Debt Service Funds	291,050
Enterprise Funds	209,870
Internal Service Funds	2,374,684
Capital Projects Fund	4,471,190

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

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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

	Revenues, Transfers In and Capital Contributions			Expenses and Transfers Out		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
<i>Enterprise Funds</i>						
Knoxville Convention Center	\$ 25,971,977	\$ 18,476,518	\$ (7,495,459)	\$ 25,971,977	\$ 14,972,274	\$ 10,999,703
Metro Parking	5,071,430	3,749,744	(1,321,686)	5,071,430	4,787,699	283,731
Public Assembly Facilities	8,335,030	4,393,369	(3,941,661)	8,335,030	4,837,232	3,497,798
City Golf Courses	1,609,410	1,903,311	293,901	1,609,410	1,573,251	36,159
<i>Knoxville Area Transit (Component Unit)</i>	28,384,202	34,338,252	5,954,050	28,384,202	37,085,825	(8,701,623)
<i>Internal Service Funds</i>						
Fleet Maintenance	18,001,965	18,492,805	490,840	18,001,965	14,427,658	3,574,307
Risk Management	7,156,454	6,941,755	(214,699)	7,156,454	5,566,320	1,590,134
Employee Health Insurance	21,951,470	20,959,354	(992,116)	21,951,470	20,557,518	1,393,952
Equipment Replacement	4,963,505	5,013,946	50,441	4,963,505	4,994,429	(30,924)
City Buildings	2,571,240	2,567,332	(3,908)	2,571,240	2,139,784	431,456

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

Investment Policies

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates the City's investment policies limit investments to terms of no more than four years. As of June 30, 2021, the average weighted maturity of the City's portfolio was 137 days.

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

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

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

Concentration of Credit Risk: The City's Investment Policy imposes several limits on the amount and type of investments in order to avoid having a large percentage of the portfolio in a single issuer. First, the policy states that, with the exception of U.S. treasuries, agency securities, and the state investment pool, no more than 35% of the portfolio shall be invested in a single security type. The policy further limits, with respect to banker's acceptances and commercial paper, that no more than 10% of the portfolio, or \$10 million, whichever is less, shall be from a single issuer. As of June 30, 2021, the City held securities in various municipal bonds of \$30 million or approximately 6% of the total portfolio. All U.S. Government Agency investments have an Aaa credit rating. The corporate equities investments have credit ratings ranging from Baa2 to Baa3 and are part of the permanent fund for Krutch Park.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

As of June 30, 2021, the City had the following investments and maturities.

Investments:	Fair Value	Less Than 1 Year	1 - 2 Years	2 - 4 Years	After
Primary Government:					
U.S. Government Agencies:					
Federal Home Loan Bank (FHLB)	\$ 5,029,861	\$ 2,037,621	\$ 998,320	\$ 1,993,920	\$ -
U.S. Treasuries	3,542,819	-	-	3,542,819	-
Federal Farm Credit Bureau (FFCB)	5,076,939	4,076,939	1,000,000	-	-
Other Governmental Bonds	31,559,729	6,295,903	14,961,323	9,507,287	795,216
Certificates of Deposit	7,938,871	4,565,768	1,828,257	1,544,846	-
Tennessee Local Government					
Investment Pool	448,010,990	448,010,990	-	-	-
	<u>\$ 501,159,209</u>	<u>\$ 464,987,221</u>	<u>\$ 18,787,900</u>	<u>\$ 16,588,872</u>	<u>\$ 795,216</u>
Fiduciary Activities:					
Tennessee Local Government					
Investment Pool	<u>\$ 138,864</u>	<u>\$ 138,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Deposits:				
Bank balances	<u>\$ 119,377,875</u>	<u>\$ 57,387,427</u>	<u>\$ 3,801,948</u>	<u>\$ 2,217</u>
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	\$ 119,377,875	\$ 57,387,427	\$ 3,801,948	\$ 2,217
Certificates of deposit	-	-	-	-
Total deposits - carrying value	<u>\$ 119,377,875</u>	<u>\$ 57,387,427</u>	<u>\$ 3,801,948</u>	<u>\$ 2,217</u>

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund	Total Amount	Fair Value
Investments:						
Cash equivalents	\$ -	\$ -	\$ -	\$ 10,982,017	\$ 10,982,017	\$ 10,982,017
United States government securities	69,562,411	11,683,765	-	77,870,612	159,116,788	159,116,788
Domestic equity securities	-	-	-	281,004,078	281,004,078	281,004,078
Corporate bonds	-	-	-	71,236,702	71,236,702	71,236,702
State and municipal government securities	-	-	-	2,713,462	2,713,462	2,713,462
Real estate investment trusts	-	-	-	68,633,936	68,633,936	68,633,936
Alternative assets	-	-	-	-	-	-
International securities	-	-	-	206,502,205	206,502,205	206,502,205
Total classified investments	69,562,411	11,683,765	-	718,943,012	800,189,188	800,189,188
Investments not categorized:						
Investments in state treasurer's investment pool	74,921,297	-	1,297,268	-	76,218,565	76,218,565
Total investments	\$ 144,483,708	\$ 11,683,765	\$ 1,297,268	\$ 718,943,012	\$ 876,407,753	\$ 876,407,753
Total deposits and investments	\$ 263,861,583	\$ 69,071,192	\$ 5,099,216	\$ 718,945,229		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	\$ 119,377,875	\$ 52,155,551	\$ 3,801,948	\$ 2,217
Investments	111,022,519	11,683,765	1,297,268	718,943,012
Unused bond proceeds	-	5,231,876	-	-
Bond funds	33,585,649	-	-	-
Other temporarily restricted assets	1,515	-	-	-
	263,987,558	69,071,192	5,099,216	718,945,229
Less accrued interest	(125,975)	-	-	-
Total deposits and investments	\$ 263,861,583	\$ 69,071,192	\$ 5,099,216	\$ 718,945,229

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

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

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

Additional investment disclosures for the Pension System can be found in its separate financial statements.

Additional investment disclosures for the Knoxville Utilities Board and Metropolitan Knoxville Airport Authority, including credit quality rating of investments in debt securities, can be found in their separate financial statements.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - FAIR VALUE MEASUREMENT

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

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

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

The City has the following recurring fair value measurements as of June 30, 2021:

	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Government Agencies	\$ 13,649,619	\$ 13,649,619	\$ -	\$ -
State and Municipal Bonds	31,559,729	1,456,770	30,102,959	-
Certificates of Deposit	7,938,871	7,938,871	-	-
	<u>\$ 53,148,219</u>	<u>\$ 23,045,260</u>	<u>\$ 30,102,959</u>	<u>\$ -</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fiduciary Activities:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	\$ 34,115,631	\$ 34,115,631	\$ -	\$ -
U.S. Government Backed Securities	2,480,697	2,480,697	-	-
Commercial Mortgage-Backed Securities	6,290,310	-	6,290,310	-
Asset Backed Securities	5,465,758	-	5,465,758	-
Residential Mortgage-Backed Securities	21,779,009	-	21,779,009	-
Corporate Bonds	67,503,430	67,503,430	-	-
Municipal Bonds	5,962,350	5,962,350	-	-
TIPS	22,749,963	22,749,963	-	-
Total Debt Securities	<u>166,347,148</u>	<u>132,812,071</u>	<u>33,535,077</u>	<u>-</u>
Equity Securities:				
Consumer Discretionary	13,195,503	13,195,503	-	-
Consumer Staples	788,427	788,427	-	-
Energy	1,193,539	1,193,539	-	-
Financials	21,357,951	21,357,951	-	-
Healthcare	7,441,893	7,441,893	-	-
Industrials	9,730,316	9,730,316	-	-
Information Technology	13,779,976	13,779,976	-	-
Materials	1,986,943	1,986,943	-	-
Reit Financials	2,207,423	2,207,423	-	-
Telecommunications Services	23,411,214	23,411,214	-	-
Utilities	710,285	710,285	-	-
Mutual Funds:				
Infrastructure	30,034,722	30,034,722	-	-
Large Cap Growth	61,989,120	61,989,120	-	-
Total Equity Securities	<u>\$ 187,827,312</u>	<u>\$ 187,827,312</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

	June 30, 2021	Fair Value Measurements Using (Continued)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Equity:				
Debt	\$ 7,765,740	\$ -	\$ -	\$ 7,765,740
Diversified	31,412,427	-	-	31,412,427
Energy	7,438,682	-	-	7,438,682
International	6,931,012	-	-	6,931,012
Secondary Markets	12,845,696	-	-	12,845,696
Venture Capital	3,608,242	-	-	3,608,242
Total Private Equity	<u>\$ 70,001,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,001,799</u>
Total Investments by fair value level	<u>\$ 424,176,259</u>	<u>\$ 320,639,383</u>	<u>\$ 33,535,077</u>	<u>\$ 70,001,799</u>
Investments measured at the net asset value (NAV)				
Global Low Volatility	32,759,350			
Real Estate Funds	61,439,367			
International Equities	131,416,607			
Defensive Equity	32,494,996			
International - Emerging Market Debt	26,020,479			
Total investment measured at the NAV	<u>284,130,799</u>			
Total investments measured at fair value	708,307,058			
Cash held by money managers	11,027,893			
Total Investment Assets	<u>\$ 719,334,951</u>			

(1) - Total investment assets presented in the fair value table include pending items and accruals.

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Redemption Periods for Investments Measured at NAV and Unfunded Commitments for Investments Measured at NAV and Private Equity as of June 30, 2021:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	\$ -	\$ 30,000,000	Quarterly*	45 - 90 days
Real Estate Funds	61,439,367	-	Quarterly, Daily	45 days, 1 day
International Equities	131,416,607	-	Monthly	10 - 30 days
Defensive Equity	32,494,996	-	Monthly	5 days
International - Emerging Market Debt	26,020,479	-	Monthly	3 days
Global Low Volatility	32,759,350	-	Daily	1 day
Total investment measured at the NAV	<u>\$ 284,130,799</u>	<u>\$ 30,000,000</u>		
Private Equity:				
Debt	\$ 7,765,740	\$ 3,225,000		
Diversified	31,412,427	7,657,120		
Energy	7,438,682	805,908		
International	6,931,012	1,196,190		
Secondary Markets	12,845,696	9,730,000		
Venture Capital	3,608,242	5,039,703		
Total Private Equity	<u>\$ 70,001,799</u>	<u>\$ 27,653,921</u>		

Infrastructure Funds – The System committed to two managers in February 2020, but no funds have been drawn as of June 30, 2021. In April 2021 the amount committed to the Infrastructure category was invested in the publicly traded mutual fund, DWS RREEF Global Infrastructure Fund, until such time the other Infrastructure managers call their committed funds. The future investment will consist of open-ended private infrastructure funds with one focused globally and one concentrated in North America in various industries. The goal of these investments is to provide a high degree of yield from rental/fee incomes and a diversification away from many aspects of the traditional economic cycle.

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - FAIR VALUE MEASUREMENT – Continued

Defensive Equity – This investment type consists of one manager and provides exposure to the U.S. large cap equity space while aiming to provide downside market protection to the portfolio as well as incorporating a differentiated source of returns (insurance risk premium “IRP”) than in the broad equity universe. The portfolio is invested 50% in the S&P 500 index and 50% in Treasury Bills. The strategy will also sell out-of-the-money put and call options on the S&P 500. Options are financial insurance contracts, and like all insurance contracts, they are not free, and the pricing tends to favor the sellers. Overpricing in these contracts represents IRP paid by option buyers to option sellers. S&P 500 Index options have historically been overpriced, resulting in a differentiated (and persistent) source of return to the investors in this strategy. Expected returns for this strategy are equal to (50% X S&P 500 Return) + (50% X T-Bill Return) + (100% X IRP). Fair values of the portfolios are determined each month using the NAV per share (or its equivalent) of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of this investment is to provide growth to the portfolio with significantly less volatility than traditional equity exposure.

Risk Parity – This investment type consists of one manager and is broken down into three components—stocks, bonds, and inflation. It invests in different securities for each segment and sizes each security in a way that the manager believes will give the overall portfolio approximately equal exposure to each segment. The key is not an equal allocation weight to each segment but an allocation where each segment's performance should have an equal effect on overall portfolio performance. Fair values of the portfolios are determined each month using the NAV per share (or its equivalent) of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of this investment is to provide growth to the portfolio by diversification from the traditional stock and bond investing. The System exited the risk parity investment in April of 2021.

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

Global Low Volatility – This investment type consists of one manager who invests in global lower risk stocks that consist of long-only investments that are highly liquid. The strategy seeks to minimize volatility at the portfolio construction level instead of eliminating high volatility subsets as is common among low volatility peers. Additionally, the strategy has constraints of plus/minus 3% relative to the MSCI World benchmark with respect to sector, industry, region, and country weights. The goal of this investment is to provide growth to the portfolio with significantly less volatility while remaining highly liquid.

RATE OF RETURN - The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 22.10% and 2.04% for the fiscal years ended 2021 and 2020, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - RECEIVABLES

Receivables at June 30, 2021, including the applicable allowance for uncollectible accounts, consisted of the following:

	Intergovern- mental	Interest and Dividends	Grants	Customers	Other	Allowance for Doubtful Accounts	Total
General fund	\$ 1,188,872	\$ -	\$ 228,924	\$ 171,970	\$ -	\$ (3,295)	\$ 1,586,471
Debt service fund	-	254,433	-	-	637	-	255,070
Capital projects fund	821,541	-	4,798,269	-	-	-	5,619,810
Special revenue funds:							
Miscellaneous community development funds	-	-	668,007	-	-	-	668,007
Other governmental funds	1,245,775	-	2,574,231	23,888	15,144	(220,793)	3,638,245
Knoxville Convention Center	1,768,145	-	-	-	353,680	-	2,121,825
Other enterprise funds	-	-	221,033	84,653	143,990	-	449,676
Internal service funds	-	-	-	690,680	-	-	690,680
Total primary government	5,024,333	254,433	8,490,464	971,191	513,451	(224,088)	15,029,784
Component units:							
Knoxville Utilities Board	1,103,185	6,782	-	77,716,199	2,775,230	(684,529)	80,916,867
Metropolitan Knoxville Airport Authority	-	9,687	6,269,301	2,389,456	1,194,638	-	9,863,082
Knoxville Area Transit	1,620,506	-	15,154,019	-	-	-	16,774,525
Total reporting entity	<u>\$ 7,748,024</u>	<u>\$ 270,902</u>	<u>\$ 29,913,784</u>	<u>\$ 81,076,846</u>	<u>\$ 4,483,319</u>	<u>\$ (908,617)</u>	<u>\$ 122,584,258</u>
Fiduciary Activities:							
City Employees' Pension Trust Fund	\$ -	\$ 1,250,109	\$ -	\$ -	\$ 45	\$ -	\$ 1,250,154
Combined Agency Funds	-	-	-	-	262,285	-	262,285
Total fiduciary activities	<u>\$ -</u>	<u>\$ 1,250,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,330</u>	<u>\$ -</u>	<u>\$ 1,512,439</u>

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following:

Governmental Funds:

Notes Receivable

General Fund	\$ 6,170,754
Special Revenue Fund - Miscellaneous Community Development Funds	9,601,215
Other Governmental Funds - Community Development Block Grant Funds	1,515,065
Miscellaneous Special Revenue Funds	<u>2,730,000</u>
Total Notes Receivable	<u>\$ 20,017,034</u>

The \$9,601,215 due to the Miscellaneous to Community Development Funds and the \$4,245,065 due to the Other Governmental Funds are notes due to the City that were funded by Federal Community Development grant programs. The combined amount of \$13,846,280 is included in deferred inflows of resources.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Metropolitan Knoxville Airport Authority

The Metropolitan Airport Authority, as lessor, leases certain capital assets under operating leases expiring in various years through 2053. As of June 30, 2021, minimum future base rentals to be received on noncancellable leases are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 4,770,728
2023	4,770,518
2024	3,996,972
2025	777,123
2026	777,123
Thereafter	<u>13,990,410</u>
Total	<u>\$29,082,874</u>

Contingent rentals, which consist primarily of airline terminal, rental car concessions and other similar revenues, amounted to \$5,361,465 in 2021.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
Governmental activities:				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 84,504,579	\$ 525,647	\$ -	\$ 85,030,226
Artwork	288,879	-	-	288,879
Construction in progress	18,545,533	16,514,592	(1,774,196)	33,285,929
Total nondepreciable capital assets	<u>103,338,991</u>	<u>17,040,239</u>	<u>(1,774,196)</u>	<u>118,605,034</u>
<i>Depreciable:</i>				
Buildings and building improvements	79,844,021	1,740,969	-	81,584,990
Equipment, furniture and fixtures	127,196,594	11,115,379	(5,597,974)	132,713,999
Infrastructure and site improvements	480,690,059	13,690,717	-	494,380,776
Total depreciable capital assets	<u>687,730,674</u>	<u>26,547,065</u>	<u>(5,597,974)</u>	<u>708,679,765</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(38,180,117)	(2,697,978)	-	(40,878,095)
Equipment, furniture and fixtures	(74,885,290)	(11,146,293)	5,399,982	(80,631,601)
Infrastructure and site improvements	(254,161,265)	(15,694,040)	-	(269,855,305)
Total accumulated depreciation	<u>(367,226,672)</u>	<u>(29,538,311)</u>	<u>5,399,982</u>	<u>(391,365,001)</u>
Total depreciable capital assets, net	<u>320,504,002</u>	<u>(2,991,246)</u>	<u>(197,992)</u>	<u>317,314,764</u>
Governmental activities capital assets, net	<u>\$ 423,842,993</u>	<u>\$ 14,048,993</u>	<u>\$ (1,972,188)</u>	<u>\$ 435,919,798</u>
Business-type activities:				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 7,686,303	\$ -	\$ -	\$ 7,686,303
Artwork	764,875	-	-	764,875
Construction in progress	845,456	6,200	(845,456)	6,200
Total nondepreciable capital assets	<u>9,296,634</u>	<u>6,200</u>	<u>(845,456)</u>	<u>8,457,378</u>
<i>Depreciable:</i>				
Buildings and building improvements	231,458,661	2,188,378	-	233,647,039
Equipment, furniture and fixtures	10,094,254	626,644	-	10,720,898
Infrastructure and site improvements	31,396,018	365,729	-	31,761,747
Total depreciable capital assets	<u>272,948,933</u>	<u>3,180,751</u>	<u>-</u>	<u>276,129,684</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(108,075,652)	(5,595,922)	-	(113,671,574)
Equipment, furniture and fixtures	(6,451,778)	(587,203)	-	(7,038,981)
Infrastructure and site improvements	(16,324,374)	(1,255,406)	-	(17,579,780)
Total accumulated depreciation	<u>(130,851,804)</u>	<u>(7,438,531)</u>	<u>-</u>	<u>(138,290,335)</u>
Total depreciable capital assets, net	<u>142,097,129</u>	<u>(4,257,780)</u>	<u>-</u>	<u>137,839,349</u>
Business-type activities capital assets, net	<u>\$ 151,393,763</u>	<u>\$ (4,251,580)</u>	<u>\$ (845,456)</u>	<u>\$ 146,296,727</u>
Fiduciary activities:				
Knoxville Employees' Pension Plan				
<i>Depreciable: Equipment, furniture and fixtures</i>	\$ 38,168	\$ -	\$ -	\$ 38,168
<i>Accumulated Depreciation</i>	(28,334)	(5,748)	-	(34,082)
Total Knoxville Employees' Pension Plan	<u>\$ 9,834</u>	<u>\$ (5,748)</u>	<u>\$ -</u>	<u>\$ 4,086</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL ASSETS - Continued

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

Governmental Activities

General	\$ 12,577,850
Public Safety	2,592,363
Physical Environment	11,866,237
Economic Development	24,728
Parks and Recreation	2,139,140
Health and Sanitation	<u>337,993</u>
	<u>\$ 29,538,311</u>

Business-type Activities

Knoxville Convention Center	\$ 4,698,830
Metro Parking	1,485,810
Public Assembly Facilities	1,196,586
Municipal Golf Courses	<u>57,305</u>
	<u>\$ 7,438,531</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Component Units				
Knoxville Utilities Board				
<i>Nondepreciable: Construction in Progress</i>	\$ 247,571,881	\$ 151,176,442	\$ (209,240,414)	\$ 189,507,909
<i>Depreciable:</i>				
Pumping and treatment plant	345,278,550	13,417,677	(3,140,729)	355,555,498
Distribution & collection plant	2,274,832,650	149,049,655	(38,259,518)	2,385,622,787
General plant	214,312,804	44,653,415	(1,059,831)	257,906,388
Total depreciable assets	2,834,424,004	207,120,747	(42,460,078)	2,999,084,673
Accumulated depreciation	(946,215,640)	(97,786,338)	44,563,078	(999,438,900)
Total depreciable capital assets, net	1,888,208,364	109,334,409	2,103,000	1,999,645,773
Total Knoxville Utilities Board	\$ 2,135,780,245	\$ 260,510,851	\$ (207,137,414)	\$ 2,189,153,682
Metropolitan Knoxville Airport Authority				
<i>Nondepreciable:</i>				
Land	\$ 39,312,407	\$ 749,438	\$ -	\$ 40,061,845
Construction in progress	126,315,255	26,336,841	(1,026,927)	151,625,169
Total nondepreciable capital assets	165,627,662	27,086,279	(1,026,927)	191,687,014
<i>Depreciable:</i>				
Land improvements	122,593,552	596,390	-	123,189,942
Buildings and building improvements	173,569,019	-	-	173,569,019
Equipment, furniture and fixtures	24,178,779	611,052	(44,721)	24,745,110
Total depreciable capital assets	320,341,350	1,207,442	(44,721)	321,504,071
<i>Accumulated depreciation:</i>				
Land improvements	(97,964,787)	(3,408,971)	-	(101,373,758)
Buildings and building improvements	(118,830,617)	(5,379,024)	-	(124,209,641)
Equipment, furniture and fixtures	(12,705,232)	(1,228,111)	8,944	(13,924,399)
Total accumulated depreciation	(229,500,636)	(10,016,106)	8,944	(239,507,798)
Total depreciable capital assets, net	90,840,714	(8,808,664)	(35,777)	81,996,273
Total Metropolitan Knoxville Airport Authority	\$ 256,468,376	\$ 18,277,615	\$ (1,062,704)	\$ 273,683,287
Knoxville Area Transit				
<i>Nondepreciable:</i>				
Land	\$ 2,199,236	\$ -	\$ -	\$ 2,199,236
Artwork	49,000	-	-	49,000
Total nondepreciable capital assets	2,248,236	-	-	2,248,236
<i>Depreciable:</i>				
Buildings and building improvements	32,829,438	50,185	-	32,879,623
Infrastructure and site improvements	557,914	-	-	557,914
Equipment, vehicles, furniture and fixtures	40,561,682	3,251,272	(308,164)	43,504,790
Total depreciable capital assets	73,949,034	3,301,457	(308,164)	76,942,327
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(12,871,318)	(1,052,155)	-	(13,923,473)
Infrastructure and site improvements	(89,467)	(25,969)	-	(115,436)
Equipment, vehicles, furniture and fixtures	(24,548,479)	(3,193,087)	303,030	(27,438,536)
Total accumulated depreciation	(37,509,264)	(4,271,211)	303,030	(41,477,445)
Total depreciable capital assets, net	36,439,770	(969,754)	(5,134)	35,464,882
Total Knoxville Area Transit	\$ 38,688,006	\$ (969,754)	\$ (5,134)	\$ 37,713,118

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL ASSETS - Continued

In October 2018, the State of Tennessee (the State) brought four condemnation actions against the Metropolitan Knoxville Airport Authority under eminent domain laws to acquire certain parcels of real property owned by the Authority in connection with the Alcoa Highway Relocation Project. The State alleges it owes the Authority \$6,530,005 for these parcels. MCAA asserts the amount assessed by the State does not reflect the current fair value of the parcels and seeks a jury trial as to the amount of just compensation to be paid by the State. The lawsuits are currently in the discovery phase of litigation and no trial date has been set at this time.

During 2019, MCAA received approximately \$5,340,000 with the remaining \$1,190,000 recorded as a receivable at June 30, 2021.

During 2020, the Authority began installation of and replacement of the Runway 5L/23R Instrument Landing Systems (ILS) which is fully funded through grants provided by the FAA. Upon completion of this project, certain related assets constructed, emplaced, or installed will become the property of the FAA. The project will be completed upon the FAA's inspection of the specific equipment or construction, and acceptance that it is substantially complete and ready for use. The FAA will accept all responsibilities for operations and maintenance requirements of this equipment. Equipment of approximately \$3,200,000 as of June 30, 2021, is expected to be transferred to the FAA upon title transfer.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables consist primarily of pooled cash balances. A detailed listing of interfund receivables and payables at June 30, 2021 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances	Due From Component Units	Due To Primary Government
Governmental Activities					
<i>General Fund</i>	\$ 17,315,540	\$ 12,794,313	\$ 4,521,227	\$ 12,646,944	\$ -
<i>Debt Service Fund</i>	-	5,807,908	(5,807,908)	-	-
<i>Special Revenue Fund:</i>					
State Street Aid	-	123,245	(123,245)	-	-
Community Development Block Grant	-	1,463,019	(1,463,019)	-	-
Animal Control	-	600	(600)	-	-
Abandoned Vehicles	-	-	-	-	-
City Inspections	-	145,629	(145,629)	-	-
City Court	-	111,476	(111,476)	-	-
Miscellaneous Grants	-	749,737	(749,737)	-	-
Miscellaneous Special Revenue	-	74,370	(74,370)	-	-
Storm Water	-	-	-	-	-
Solid Waste	-	16,591	(16,591)	-	-
Miscellaneous Community Development Funds	1,500,000	396,593	1,103,407	-	-
Knoxville Civic Revitalization	-	-	-	-	-
<i>Capital Projects Fund</i>	4,122,870	-	4,122,870	-	-
<i>Internal Service Funds:</i>					
Fleet Maintenance	2,700,000	-	2,700,000	-	-
Risk Management	-	2,726	(2,726)	-	-
Health Insurance	907,908	-	907,908	-	-
Equipment Replacement	-	-	-	-	-
City Buildings	-	-	-	-	-
Total governmental activities	<u>26,546,318</u>	<u>21,686,207</u>	<u>4,860,111</u>	<u>12,646,944</u>	<u>-</u>
Business-Type Activities					
Knoxville Convention Center	-	6,143,253	(6,143,253)	-	-
Public Assembly Facilities	1,700,000	-	1,700,000	-	-
Metro Parking	-	13,863	(13,863)	-	-
Municipal Golf Courses	-	333,899	(333,899)	-	-
Total business-type activities	<u>1,700,000</u>	<u>6,491,015</u>	<u>(4,791,015)</u>	<u>-</u>	<u>-</u>
Fiduciary Funds					
City Choice Plus Fund	-	69,096	(69,096)	-	-
Health Savings	-	-	-	-	-
	<u>-</u>	<u>69,096</u>	<u>(69,096)</u>	<u>-</u>	<u>-</u>
Component Units:					
Knoxville Area Transit	-	-	-	-	12,646,944
	<u>\$ 28,246,318</u>	<u>\$ 28,246,318</u>	<u>\$ -</u>	<u>\$ 12,646,944</u>	<u>\$ 12,646,944</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2021, are comprised of the following issues:

	General Obligation Bonds and Note Payable		
	Governmental Activities	Business-type Activities	Total
Primary Government			
General Obligation Public Improvement Bond Series A-4-A maturing through 2032 with a floating interest rate	\$ -	\$ 59,970,000	\$ 59,970,000
General Obligation Public Improvement and Refunding Bonds Series 2021 maturing through 2041 at varying rates of interest ranging from 3.0% to 5.0%	81,380,000	21,005,000	102,385,000
General Obligation Bonds Series 2018 maturing through 2028 at varying rates of interest ranging from 3.0% to 5.0%	<u>10,745,000</u>	<u>-</u>	<u>10,745,000</u>
Total General Obligation Bonds	92,125,000	80,975,000	173,100,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points	<u>2,560,000</u>	<u>-</u>	<u>2,560,000</u>
Total Primary Government	<u>\$ 94,685,000</u>	<u>\$ 80,975,000</u>	<u>\$ 175,660,000</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT - Continued

	Revenue Bonds
Component Units:	
<i>Knoxville Utilities Board:</i>	
Electric Revenue Bonds Series Z to LL, maturing through 2050 at varying rates of interest ranging from 2.0% to 6.35%	\$ 275,415,000
Water Revenue Bonds Series X to LL maturing through 2050 at varying rates of interest ranging from 2.0% to 5.0%	198,600,000
Gas Revenue Bonds Series Q to AA, maturing through 2050 at varying rates of interest ranging from 2.0% to 5.0%	91,595,000
Waste Water Revenue Bonds Series 2010C, 2012A, 2012B, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018, 2019, 2020A, 2020B, 2021A maturing through 2050 at varying rates of interest ranging from 4.0% to 6.5%	476,660,000
	\$ 1,042,270,000
<i>Metropolitan Knoxville Airport Authority:</i>	
Airport Revenue Refunding Note Series 2019A, bears interest at a fixed rate of 2.54%. Remaining annual installments ranging from \$5,410,000 to \$6,000,000 through June 2028. Interest is paid semiannually.	\$ 34,295,000

Each of the Divisions of the Knoxville Utilities Board have pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments of revenue bonds when due. Such bond requirements are being met through monthly deposits to the bond funds as required by the bond covenants. As of June 30, 2021, these requirements had been satisfied.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT - Continued

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

Primary Government	General Obligation Bonds and Note Payable			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 6,300,000	\$ 4,378,510	\$ 5,375,000	\$ 3,647,440
2023	7,250,000	3,470,000	5,900,000	3,180,300
2024	7,595,000	3,151,750	6,210,000	2,885,300
2025	6,525,000	2,809,800	4,575,000	2,574,800
2026	5,100,000	2,492,050	7,460,000	2,356,600
2027-2031	23,905,000	9,009,400	42,020,000	7,060,800
2032-2036	21,155,000	4,258,600	9,435,000	377,400
2037-2041	16,855,000	1,546,950	-	-
	94,685,000	\$ 31,117,060	80,975,000	\$ 22,082,640
Unamortized premium	17,411,125		2,354,417	
Total	\$ 112,096,125		\$ 83,329,417	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
	2022	\$ 42,545,000
2023	47,750,000	38,973,022
2024	48,550,000	36,838,650
2025	49,880,000	34,877,139
2026	48,380,000	32,980,570
2027-2031	231,345,000	136,471,468
2032-2036	195,760,000	95,238,792
2037-2041	215,855,000	58,030,442
2042-2046	153,275,000	21,330,331
2047-2051	43,225,000	2,574,471
	\$ 1,076,565,000	\$ 496,448,156

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT - Continued

Current and Advance Refundings

Primary Government

During the fiscal year, the City issued \$102,385,000 in General Obligation Improvement and Refunding Bonds, Series 2021. The net proceeds of \$121,422,462 (including a \$19,426,199 premium and after \$388,737 in underwriting fees and other issuance costs) are to be used to currently refund General Obligation Bonds, Series 2012 and 2014, and to provide funds for various capital improvement projects of the City. Of the net proceeds, \$58,986,010 was deposited into a current refunding account for immediate payment of these refunded obligations. The City refunded these bonds to reduce its total debt service payments by \$5.7 million and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$5.4 million. The remainder of the proceeds of \$62,575,000 was deposited into a capital improvement project fund.

Component units

Knoxville Utilities Board

During fiscal year 2020, KUB's Electric Division issued Series KK 2020 bonds to retire a portion of outstanding Series Z 2010 bonds. On May 22, 2020, \$14.4 million in revenue refunding bonds with an average interest rate of 5 percent were issued to advance refund \$17.1 million of outstanding bonds with an average interest rate of 5.8 percent. The net proceeds of \$17.1 million (after payment of \$0.2 million in issuance costs plus premium of \$2.9 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2020 debt service payment. As a result, the remaining bonds are considered to be refunded and the liability of \$17.1 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 11 years by \$2.4 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2.2 million.

During fiscal year 2021, KUB's Electric Division issued Series LL 2021 bonds to retire a portion of outstanding Series AA 2012, BB 2012, CC 2013 and DD 2014 bonds. On April 19, 2021, \$70.2 million in revenue refunding bonds with an average interest rate of 4.4 percent were issued to advance refund \$86.4 million of outstanding bonds with an average interest rate of 3.5 percent. The net proceeds of \$87.8 million (after payment of \$0.5 million in issuance costs plus premium of \$16.7 million and an additional issuer equity contribution of \$1.4 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2021 debt service payment. As a result, the remaining bonds are considered to be refunded and the liability of \$86.4 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 24 years by \$14.3 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$11.9 million.

During fiscal year 2020, KUB's Gas Division issued Series Z 2020 bonds to retire a portion of outstanding Series P 2010 bonds. On May 22, 2020, \$6.8 million in revenue refunding bonds with an average interest rate of 4.7 percent were issued to currently refund \$9.7 million of outstanding bonds proceeds of \$9.8 million (after payment of \$0.1 million in issuance costs plus premium of \$1.1 million and an additional issuer equity contribution of \$2 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 12 years by \$1.8 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.3 million.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 10 - LONG-TERM DEBT - Continued

During fiscal year 2021, KUB's Gas Division issued Series AA 2021 bonds to retire outstanding Series Q 2012, R 2012, S 2013 and T 2013 bonds. On April 19, 2021, \$41.9 million in revenue refunding bonds with an average interest rate of 4.4 percent were issued to currently refund \$49.1 million of outstanding bonds with an average interest rate of 3.9 percent. The net proceeds of \$49.3 million (after payment of \$0.3 million in issuance costs plus premium of \$7.2 million and an additional issuer equity contribution of \$0.5 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 14 years by \$7.9 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7.2 million.

During fiscal year 2020, KUB's Water Division issued Series II 2019 bonds to fund water system capital improvements. KUB's Water Division also issued Series JJ 2020 bonds to retire a portion of outstanding Series W 2011 bonds. On May 22, 2020, \$19.5 million in revenue refunding bonds with an average interest rate of 3.2 percent were issued to currently refund \$20.6 million of outstanding bonds with an average interest rate of 4 percent. The net proceeds of \$20.8 million (after payment of \$0.2 million in issuance costs plus premium of \$1.5 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 20 years by \$3.9 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3.1 million.

During fiscal year 2021, KUB's Water Division issued Series KK 2020 bonds to fund water system capital improvements. KUB's Water Division also issued Series LL 2021 bonds to retire outstanding Series X 2012, Y 2013, Z 2013 and AA 2014 bonds. On April 19, 2021, \$33.2 million in revenue refunding bonds with an average interest rate of 4.3 percent were issued to currently refund \$41.2 million of outstanding bonds with an average interest rate of 4.3 percent. The net proceeds of \$41.4 million (after payment of \$0.3 million in issuance costs plus premium of \$8.1 million and an additional issuer equity contribution of \$0.4 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 23 years by \$10.2 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$9.1 million.

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2020, the effective reduction in rebate is 5.7 percent.

During fiscal year 2020, KUB's Wastewater Division issued Series 2019 bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2020A bonds to retire a portion of outstanding Series 2010 bonds. On May 22, 2020, \$28.2 million in revenue refunding bonds with an average interest rate of 3.3 percent were issued to currently refund \$30 million of outstanding bonds with an average interest rate of 6.4 percent. The net proceeds of \$30.3 million (after payment of \$0.3 million in issuance costs plus premium of \$2.4 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 25 years by \$18.9 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8.8 million.

During fiscal year 2021, KUB's Wastewater Division issued Series 2020B bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2021A bonds to retire Series 2012A, 2012B, 2013A and 2014A and \$36.6 million of outstanding Series 2010C bonds. On April 19, 2021, \$190.8 million in revenue refunding bonds with an average interest rate of 4.2 percent were

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT - Continued

issued to currently refund \$238.6 million of outstanding bonds with an average interest rate of 3.6 percent. The net proceeds of \$239 million (after payment of \$0.8 million in issuance costs plus premium of \$48.1 million and an additional issuer equity contribution of \$0.9 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 28 years by \$47.2 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$41.8 million.

Metropolitan Knoxville Airport Authority

During 2000, the Authority's Board of Commissioners adopted a Master Resolution allowing the Authority to issue Airport Revenue Obligations. The Authority has pledged revenues, as defined in the Master Resolution, to repay the long-term debt issued under the Master Resolution for the term of the debt.

Under this resolution, the Authority is required to establish certain funds, accounts and subaccounts to deposit funds to be held in trust by the Authority in order to meet the requirements of the resolution. These funds include:

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

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

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

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

Outstanding debt during fiscal year 2021, consists of the following:

Series 2017A – \$11,000,000 Airport Revenue Refunding Note issued on May 25, 2017, bearing interest at a fixed rate of 1.95%. The note was paid in full in 2021.

Series 2019A – \$39,570,000 Airport Revenue Refunding Note issued on June 27, 2019, bearing interest at a fixed rate of 2.54%. Remaining annual installments range from \$5,410,000 to \$6,000,000 through June 2028. Interest is paid semiannually.

All outstanding notes payable contain a provision that in an event of default, outstanding amounts may be declared due by the lender if the Authority is unable to make payment.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT - Continued

Changes in Long-Term Liabilities

The following schedule is a summary of the changes in long-term liabilities (including current amounts) for the year ended June 30, 2021:

	Balance June 30, 2020	Additions and Transfers	Reductions and Transfers	Balance June 30, 2021	Due Within One Year
Primary Government					
<i>Government Activities:</i>					
General obligation bonds	\$ 51,556,100	\$ 81,380,000	\$ 40,811,100	\$ 92,125,000	\$ 6,130,000
Add unamortized amounts for issuance premiums	<u>3,076,285</u>	<u>16,683,043</u>	<u>2,348,203</u>	<u>17,411,125</u>	<u>1,032,204</u>
	54,632,385	98,063,043	43,159,303	109,536,125	7,162,204
HUD section 108 promissory note	2,730,000	-	170,000	2,560,000	170,000
Estimated claims liability	20,450,000	16,082,151	16,082,151	20,450,000	5,100,000
Compensated absences payable	9,639,818	8,489,346	7,939,116	10,190,048	6,940,971
Net pension liability	212,393,379	71,926,113	51,338,800	232,980,692	-
Net OPEB liability	<u>15,737,674</u>	<u>3,571,908</u>	<u>965,031</u>	<u>18,344,551</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 315,583,256</u>	<u>\$ 198,132,561</u>	<u>\$ 119,654,401</u>	<u>\$ 394,061,416</u>	<u>\$ 19,373,175</u>
<i>Business-type Activities:</i>					
General obligation bonds	\$ 88,793,900	\$ 21,005,000	\$ 28,823,900	\$ 80,975,000	\$ 5,375,000
Add unamortized amounts for issuance premiums	<u>667,314</u>	<u>1,687,103</u>	<u>-</u>	<u>2,354,417</u>	<u>227,731</u>
	89,461,214	22,692,103	28,823,900	83,329,417	5,602,731
Compensated absences payable	7,974	-	993	6,981	6,981
Derivative instrument - interest rate swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 89,469,188</u>	<u>\$ 22,692,103</u>	<u>\$ 28,824,893</u>	<u>\$ 83,336,398</u>	<u>\$ 5,609,712</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end approximately \$165,000 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments, compensated absences, pension and other postretirement benefits are generally liquidated by the general fund.

All bonds and loans are backed by the full faith and credit of the City. In addition to the primary pledge of property taxes, the City has pledged convention center revenues net of operating expenses (if any) as a secondary pledge to repay the \$59.97 million TN Series A-4-A long-term debt issue used to construct the center. For the year ended June 30, 2021, principal and interest payments on all debt issues were approximately 11% of the pledged revenue. Principal and interest remaining to be paid on all debt issues is approximately \$229 million, based on market interest rates effective on June 30, 2021.

Management believes that the City complies with all significant debt covenants and restrictions as set forth in the bond and loan agreements.

The above bonds and note contain provisions that in the event of default, the lenders can exercise one or more of the following options: 1) make the outstanding bond and/or notes payable with accrued interest due and payable, 2) use any remedy allowed by state and/or federal law.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM DEBT - Continued

	Balance June 30, 2020	Additions and Transfers	Reductions and Transfers	Refundings / Retirements	Balance June 30, 2021	Due Within One Year
Component Units						
<i>Knoxville Utilities Board:</i>						
Revenue bonds	\$ 1,128,795,000	\$ 372,600,000	\$ 43,885,000	\$ 415,240,000	\$ 1,042,270,000	\$ 42,545,000
Other long-term liabilities:						
TVA conservation program	2,023,948	113,417	978,809	-	1,158,556	978,000
Compensated absences	10,280,214	16,389,835	16,328,564	-	10,341,485	3,000,000
Customer advances for construction	9,658,968	3,444,365	2,730,227	-	10,373,106	17,000
Other	263,388	519,256	557,366	-	225,278	35,000
Total Knoxville Utilities Board	<u>1,151,021,518</u>	<u>393,066,873</u>	<u>64,479,966</u>	<u>415,240,000</u>	<u>1,064,368,425</u>	<u>46,575,000</u>
<i>Metropolitan Knoxville Airport Authority:</i>						
Revenue/general obligation bonds	45,640,000	-	11,345,000	-	34,295,000	-
Total Metropolitan Knoxville Airport Authority	<u>45,640,000</u>	<u>-</u>	<u>11,345,000</u>	<u>-</u>	<u>34,295,000</u>	<u>-</u>
Total component units	<u>\$ 1,196,661,518</u>	<u>\$ 393,066,873</u>	<u>\$ 75,824,966</u>	<u>\$ 415,240,000</u>	<u>\$ 1,098,663,425</u>	<u>\$ 46,575,000</u>

NOTE 11 - LEASES

Primary Government

The City was committed to periodic payments to the Public Building Authority for rental of the City-County Building. The lease expired during 2001 and the City is renting the space on a month-to-month basis until a new lease is established. Total rental payments for the year ending June 30, 2021 were \$1,658,020.

Component Units

Knoxville Utilities Board

KUB has non-cancelable operating lease commitments for office equipment, property, and vehicles, summarized for the following fiscal years:

2022	\$330,247
2023	61,614
2024	53,014
2025	53,014
2026	<u>39,300</u>
Total	<u>\$537,189</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 - FUND BALANCES

Detail fund balances are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds		Total
				Miscellaneous Community Development Fund	Other Funds	
Fund Balances:						
Nonspendable:						
Inventory	\$ 418,309	\$ -	\$ 5,200	\$ -	\$ 528,763	\$ 952,272
Prepays	-	-	-	-	-	-
Permanent Fund Principal	-	-	-	-	624,067	624,067
Restricted for:						
Street Improvements	-	-	-	-	3,889,471	3,889,471
Community Development	-	-	-	1,602,342	21,821	1,624,163
Law Enforcement	-	-	-	-	3,480,462	3,480,462
Parks & Recreation	-	-	-	-	285,029	285,029
Solid Waste Operations	-	-	-	-	4,170,483	4,170,483
Krutch Park	-	-	-	-	391,006	391,006
Committed to:						
Debt Service	-	66,077,298	-	-	-	66,077,298
Economic Stabilization	50,711,626	-	-	-	-	50,711,626
Other Capital Projects	-	-	128,896,213	-	-	128,896,213
Abandoned Vehicle Operations	-	-	-	-	488,798	488,798
City Inspections Operations	-	-	-	-	1,189,066	1,189,066
City Court Operations	-	-	-	-	894,336	894,336
Animal Control Operations	-	-	-	-	754,555	754,555
Beer Board	-	-	-	-	165,194	165,194
Finance & Accountability	756,095	-	-	-	-	756,095
Law Enforcement	-	-	-	-	1,937,346	1,937,346
Safety City	-	-	-	-	490,479	490,479
Storm Water Operations	-	-	-	-	1,902,171	1,902,171
Assigned to:						
Administration	952,214	-	-	-	-	952,214
Bond Rating Maintenance	12,951,090	-	-	-	-	12,951,090
Appropriated Fund Balance	12,677,907	-	-	-	-	12,677,907
Finance	941,140	-	-	-	-	941,140
Community Development	6,953,724	-	-	-	-	6,953,724
Law Enforcement	336,443	-	-	-	651,544	987,987
Public Services	741,499	-	-	-	-	741,499
Parks & Recreation	321,198	-	-	-	1,500	322,698
Unassigned	21,140,779	-	-	-	(432,676)	20,708,103
Total Fund Balances	\$ 108,902,024	\$ 66,077,298	\$ 128,901,413	\$ 1,602,342	\$ 21,433,415	\$ 326,916,492

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 13 - RISK MANAGEMENT

Primary Government

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

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

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

Health Insurance Fund

On January 1, 2008, the City elected to self-insure its health insurance coverage. Utilizing a third party administrator, the City has found that it is better able to control its expenses through exercising greater control over certain health costs. In addition, the City has utilized some of the funding to promote wellness programs aimed at improving the overall health of those covered by the health plan. End of year reserves of \$2.75 million were considered adequate to cover any costs incurred but not reported as of year-end.

	<u>2021</u>	<u>2020</u>
Estimated maximum claims liability, beginning of year	\$ 2,750,000	\$ 2,750,000
Provision for incurred claims	14,942,571	16,098,482
Payments made on claims	<u>(14,942,571)</u>	<u>(16,098,482)</u>
Estimated maximum claims liability, end of year	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>

Risk Management Fund

The City maintains, as an internal service fund, the Risk Management Fund to account for legal claims and judgments incurred by the City and Knoxville Area Transit. The City is currently the defendant in numerous lawsuits. Of these claims, the City has booked a contingent liability in the Risk Management Fund of \$17,700,000 for those lawsuits and claims. The City feels this is adequate to settle any of those potential claims.

An analysis of claims activity for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Estimated maximum claims liability, beginning of year	\$ 17,700,000	\$ 17,700,000
Provision for incurred claims	1,139,580	2,855,454
Payments made on claims	<u>(1,139,580)</u>	<u>(2,855,454)</u>
Estimated maximum claims liability, end of year	<u>\$ 17,700,000</u>	<u>\$ 17,700,000</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2021, were accrued in the financial statements of the fund based on pending claims filed and past experience, calculated in accordance with Governmental Accounting Standards Board Statement No. 10. The current portion of the claims liability is estimated to be \$5.1 million.

Component units

Knoxville Utilities Board

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

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

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is the Utilities Board's best estimate based on available information. At June 30, 2021, the amount of these liabilities was \$1,936,245. An analysis of claims activity for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Estimated maximum claims liability, beginning of year	\$ 1,720,620	\$ 1,911,512
Provision for incurred claims	15,519,699	14,943,377
Payments made on claims	<u>(15,304,074)</u>	<u>(15,134,269)</u>
Estimated maximum claims liability, end of year	<u>\$ 1,936,245</u>	<u>\$ 1,720,620</u>

Metropolitan Knoxville Airport Authority

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

CITY OF KNOXVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14 - JOINT VENTURES

Public Building Authority

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

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

Knoxville, Knox County, KUB Geographic Information Systems

The City is a participant in a joint venture with Knox County and its discretely presented component unit, Knoxville Utilities Board, in the operation of the Geographic Information Systems. The Geographic Information Systems was established to create and maintain a digitized mapping system of Knox County. Each of the participants appoints one of the three board members who oversee the operations. In accordance with the terms of the joint venture agreement, payments are shared between the City, Knox County and the Knoxville Utilities Board. The City does not retain an equity interest in the joint venture. Complete separate financial statements for the Geographic Information Systems may be obtained at 606 Main Street, Suite 150, Main Place, Knoxville, TN 37902.

NOTE 15 - MANAGEMENT AGREEMENTS

The City has entered into the following management agreements:

Knoxville Zoo - The City entered into a new agreement on July 1, 2016, with Knoxville Zoological Gardens, Inc. DBA "Zoo Knoxville" whereby Zoo Knoxville shall lease the Zoo to provide for its operation and management. Under terms of the agreement, the City shall grant Zoo Knoxville \$1,250,000 as an annual allocation with a \$50,000 annual increase for each year thereafter. This agreement lasts through June 30, 2021 with an option to extend for an additional five years. The agreement has been renewed and now lasts through June 30, 2026, with the annual allocation of \$1,500,000 increasing annually by a Consumer Price Index formula not to exceed 3.5%.

City Golf Courses - In October 2006, the City entered into an agreement with Billy Casper Golf, LLC to operate and manage the Whittle Springs Golf Course. In December 2007, this agreement was revised to include the Knoxville Municipal Golf Course with an expiration date of December 2012 but allowing for two - 5 year extensions. Currently the City and Billy Casper Golf, LLC are in their second 5 year renewal option which will expire on December 31, 2022. Under the terms of the amended agreement, Billy Casper Golf receives a base fee of \$9,500 per month and incentive fees when net annual income exceeds \$50,000. To date, the City has only been liable for the base monthly fees under the agreement. Billy Casper, LLC has had a name change and the agreement is now with Antares Golf Management.

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 - MANAGEMENT AGREEMENTS - Continued

IJAMS Nature Park - The City has entered into various agreements with the IJAMS Nature Park over the years whereby IJAMS will provide management and operation of a nature park. The current agreement commenced July 1, 2015 and calls for an annual management fee of \$147,750 to be paid to IJAMS. This agreement expired June 30, 2018 and was renewed for the first of two five year renewal options.

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

Beginning July 1, 2016, the City entered into a new contract with ASM Global Knoxville for a 5 year management term, whereas all City personnel previously managed by ASM Global Knoxville were transitioned to ASM Global Knoxville employment. The extended term will continue until June 30, 2021, and includes a first optional 3 year renewal term, followed by a second optional 2 year renewal term. The amended agreement also includes ASM Global Knoxville managing the City's two Public Assembly Facilities, the Knoxville Civic Auditorium & Coliseum and Chilhowee Park & Exposition Center. The amended agreement calls for a fixed base fee of \$260,000 in the initial year of the contract. Thereafter, the fee may increase upward by the consumer price index with a ceiling of 3% during any fiscal year. Under the amendment, ASM Global Knoxville shall be eligible for annual quantitative incentive fees, of which shall not exceed 100% of the base compensation for each fiscal year. The City has exercised the first 3-year renewal option and the new term expires June 30, 2024.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Primary Government

Federal Financial Assistance - The City participates in a number of federal financial assistance programs. These programs have been audited through June 30, 2021, in accordance with provisions of the Single Audit Act of 1984.

Construction Contracts - The following represents capital projects funds spent to date and current contractual obligations as of June 30, 2021:

	<u>Spent to Date</u>	<u>Contractual Commitment Remaining at June 30, 2021</u>
Access Improvements	\$ 5,495	\$ 20,449
Austin Homes Redevelopment	862,938	7,887,062
Bridge Maintenance	209,677	2,687,259
Building Improvements	3,000	1,366,669
Downtown Improvements	6,522	755,543
Drainage Improvements	47,515	1,116,536
Five Points Redevelopment	-	4,476,452
Fleet Facilities	-	562,515
Greenway Improvements	1,273,788	1,039,478
Information Technology Upgrades	269,984	1,454,286
New Sidewalk	117,642	2,206,417
Park Improvements	702,100	1,071,525
Paving Program	3,056,338	11,053,176
Public Safety Facilities	33,725,924	13,186,009
Roadway Improvements	5,103,417	18,921,736
Sidewalk Improvements	1,986,409	3,307,187
Solid Waste Facilities	1,500	44,300
Street Lighting	20,033	20,917
Streetscapes	768,914	2,142,470
Traffic Signal Upgrades	1,783,894	4,083,050
Urban Wilderness	221,432	1,885,630
Water Quality Improvements	223,520	811,304
	<u>\$ 50,390,043</u>	<u>\$ 80,099,968</u>
Total		

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Encumbrances - Information regarding encumbrances is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances, however, are not treated as expenditures in the basic financial statements. Outstanding encumbrances for the governmental funds at June 30, 2021 were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 4,499,413
Capital Projects	57,295,111
Miscellaneous CD Funds	
Miscellaneous Community Development Funds	987,939
Other Governmental Funds	
Special Revenue Funds	686,525
Miscellaneous Grants Funds	2,096,711
Total Other Governmental Funds	<u>2,783,236</u>
	<u>\$ 65,565,699</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Component units

Knoxville Utilities Board

Natural Gas Supply Contract Commitments - For fiscal year 2021, the Gas Division hedged 22.8 percent of its total gas purchases via gas supply contracts. As of June 30, 2021, the Gas Division had hedged the price on approximately 9 percent of its anticipated gas purchases for fiscal year 2022.

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

Firm obligations related to purchased gas – demand

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	
Demand:						
Transportation	\$ 20,159,362	\$ 20,159,362	\$ 20,159,362	\$ 20,159,362	\$ 5,729,104	
Storage	<u>5,406,532</u>	<u>4,953,502</u>	<u>3,864,412</u>	<u>3,709,402</u>	<u>521,824</u>	
Demand total	<u>\$ 25,565,894</u>	<u>\$ 25,112,864</u>	<u>\$ 24,023,774</u>	<u>\$ 23,868,764</u>	<u>\$ 6,250,928</u>	
	✔ <u>2022</u>	✔ <u>2023</u>	✔ <u>2024</u>	✔ <u>2025</u>	✔ <u>2026</u>	<u>2027-2052</u>
Commodity:						
Baseload	<u>\$ 10,316,110</u>	<u>\$ 2,598,519</u>	<u>\$ 2,382,181</u>	<u>\$ 2,410,209</u>	<u>\$ 2,382,534</u>	<u>\$ 65,737,338</u>

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for BP Energy Company, ConocoPhillips, and Shell Energy North America are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for CNX and Sequent Energy Management are based upon firm supply obligations and the applicable Transco Zone 5 and NYMEX strip prices on June 30, 2021. The firm obligations value for Tennergy Corporation is based upon a 30 year prepay gas contract valued at the applicable Tennessee Zone 0 strip prices on June 30, 2021.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Other Commitments and Contingencies

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

The Consent Decree also required KUB to perform an evaluation of the wet weather performance and capacity of its wastewater treatment plants. In July 2007, KUB submitted a Composite Correction Plan (CCP) for its wastewater treatment plants to EPA for review. The development and filing of the CCP was a requirement of the federal order of February 2005. The CCP includes recommended improvements to KUB's Kuwahee and Fourth Creek treatment plants to address wet weather capacity issues noted in prior assessments. The EPA approved the CCP in January 2009 including a recommended schedule of plant improvements that extends beyond the expiration date of the original Consent Decree. An amendment to the Consent Decree incorporating and establishing this schedule was agreed to by all parties and was entered on June 23, 2009. The purpose of the Amendment is to allow KUB to complete a portion of work outlined in the CCP after the Consent Decree deadline of June 30, 2016. The CCP provides for a biologically enhanced high-rate clarification (the BEHRC) secondary treatment system to be installed at the Fourth Creek treatment plant by June 30, 2018 and at the Kuwahee treatment plant by June 30, 2021. KUB successfully completed the installation of the BEHRC system at the Fourth Creek treatment plant. Work is currently ongoing at the Kuwahee treatment plant and project completion is scheduled for early 2022. The total cost of such improvements at the Kuwahee treatment plant is estimated to be approximately \$50 million.

KUB's funding plan for the Consent Decree includes long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all types of wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2021, the Wastewater Division had issued \$583.7 million in bonds to fund wastewater system capital improvements since the inception of the Consent Decree. The Board approved two 50 percent rate increases, which went into effect in April 2005 and January 2007. The Board also approved an 8 percent rate increase, which was effective in September 2008, two 12 percent rate increases, which were effective in April 2011 and October 2012, three 6 percent rate increases, which were effective October 2014, October 2015, and October 2016, and three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting manholes and gravity mains, smoke testing gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced 408 miles of collection system pipe. KUB also continues to maintain a proactive operations and maintenance plan for the wastewater collection system including inspection, grease control, and private lateral enforcement. The result of the PACE10/Century II initiative has been an 80 percent reduction in SSOs.

As of June 30, 2021, the Wastewater Division had completed its 16th full year under the Consent Decree, spending \$575.9 million on capital investments to meet Consent Decree requirements.

KUB's management anticipates the full completion of final required projects under the Consent Decree in fiscal year 2022, and the closure of the Consent Decree by the applicable regulatory authorities.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 17 - BUSINESS AND CREDIT CONCENTRATIONS

The Metropolitan Knoxville Airport Authority is dependent to a large extent on five major airlines and their regional affiliates in that a significant portion of aviation area revenue is generated by these airlines. These airlines accounted for \$3,503,947 in aviation area revenue during 2021 and maintenance facility rent from a regional affiliate accounted for \$269,494 of air cargo revenue in 2021. In addition, a significant portion of terminal area revenue is directly and indirectly generated from four of these airlines' passengers, which accounted for approximately 97% of total passengers in 2021. As of June 30, 2020, 41% of trade accounts receivable are due from these major airlines.

NOTE 18 - TRANSFERS

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 18 – TRANSFERS - Continued

	Transfers From:														Total
	Governmental Activities										Business-type Activities		Internal Service Funds		
	General Fund	Debt Service	Capital Projects	State Street Aid	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Convention Center	Fleet Maintenance	Risk Management	Equipment Replacement	
Transfers To:															
Primary Government:															
<i>Governmental Activities:</i>															
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 826,110	\$ -	\$ -	\$ -	\$ -	\$ 109,150	\$ -	\$ 877,613	\$ 1,812,873
Debt Service	-	-	-	1,477,740	-	-	-	-	-	-	-	-	-	-	1,477,740
Capital Projects Fund	3,261,020	73,003,571	-	1,635,000	-	-	-	287,720	-	-	-	-	-	466,620	78,653,931
Miscellaneous Community Development	1,620	-	-	-	-	-	-	-	-	-	-	-	-	-	1,620
Community Development Block Grants	4,840	-	-	-	-	-	-	-	-	-	-	-	-	-	4,840
Abandoned Vehicles	205,380	-	-	-	-	-	-	-	-	-	-	-	-	-	205,380
City Inspections	15,610	-	-	-	-	-	-	-	-	-	-	-	-	-	15,610
Miscellaneous Grants	34	-	-	-	-	-	-	-	-	-	-	-	-	-	34
Miscellaneous Special Revenue Funds	257,790	170,000	-	-	-	-	-	-	-	-	-	-	-	-	427,790
Storm Water	3,316,010	-	-	-	-	-	-	-	-	-	-	-	-	-	3,316,010
Solid Waste	7,450,270	-	-	-	-	-	-	-	-	-	-	-	-	-	7,450,270
<i>Business-type Activities:</i>															
Convention Center	3,734,060	-	-	-	-	-	-	-	-	-	-	-	-	-	3,734,060
Metro Parking	2,150	-	-	-	-	-	-	-	-	-	-	-	-	-	2,150
Public Assembly Facilities	2,737,570	-	-	-	-	-	-	-	-	-	-	-	-	-	2,737,570
Municipal Golf Courses	392,240	-	-	-	-	-	-	-	-	-	-	-	-	-	392,240
<i>Internal Service Funds:</i>															
Fleet Maintenance	629,919	-	295,120	-	-	-	-	-	-	-	-	-	-	-	925,039
Risk Management	4,124	-	-	-	-	-	-	-	-	-	-	-	-	-	4,124
Health Insurance	631,340	-	-	-	-	-	-	-	-	-	-	-	-	-	631,340
Equipment Replacement	438,488	-	926,305	-	131	749	36	2,100	3,686	58,257	4,758	2,993	180	-	1,437,683
City Buildings	299,920	-	-	-	-	-	-	-	-	-	-	-	-	-	299,920
	<u>\$ 23,382,385</u>	<u>\$ 73,173,571</u>	<u>\$ 1,221,425</u>	<u>\$ 3,112,740</u>	<u>\$ 131</u>	<u>\$ 749</u>	<u>\$ 826,146</u>	<u>\$ 289,820</u>	<u>\$ 3,686</u>	<u>\$ 58,257</u>	<u>\$ 4,758</u>	<u>\$ 112,143</u>	<u>\$ 180</u>	<u>\$ 1,344,233</u>	<u>\$ 103,530,224</u>

CITY OF KNOXVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS

City of Knoxville Pension System

General Information about the Pension Plan

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

The City of Knoxville Pension System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Knoxville Pension Board, 917B East Fifth Avenue, Knoxville, Tennessee 37917. The assets of the Plan are also included in the reporting entity as a fiduciary pension trust fund. The City adopted employer financial reporting requirements for the Plan, as required by GASB Statement No. 68, in fiscal year 2016, as further described in Note 1.

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

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

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

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

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

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

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

Board of Education Division - The City of Knoxville School System was abolished effective July 1, 1987 and absorbed into the operations of the Knox County School System. A court ruling has held and the Tennessee Court of Appeals has affirmed that the City is liable for the accrued pension liability, through June 30, 1987, for those former City School employees who remain in the City of Knoxville Pension System. Because of the abolition of the City School System, the Board of Education Division of the City of Knoxville Pension System has, in substance, been terminated. The City is responsible for any unfunded pension liability for the benefits that former City School employees would be entitled to if their earned benefits were frozen at July 1, 1987. A contribution was made for this department of \$2,422,900 for 2021.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustments are based on each Division’s plan and are generally limited to a maximum increase in retirement allowance of 4 percent for Divisions A, B, C, F and G and 3 percent for Division H.

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms - Membership of the Plan consisted of the following at July 1, 2020, the date of the latest actuarial valuation:

Active participants	1,422
Vested terminated participants	127
Retired participants	2,059
 Total	 3,608

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

The recommended contributions are determined using the entry age normal funding method. Unfunded actuarial accrued liabilities are being amortized over a thirty year period, of which 18 years remain at July 1, 2020. Projected covered payroll for the year beginning July 1, 2020 amounted to approximately \$74,548,625. The ratio of the net pension liability to the covered payroll was 315.03%.

The contributions for the year ended June 30, 2021 were based on the actuarial valuation as of July 1, 2020 (2020 contributions were based on the July 1, 2019 valuation). The table below shows the contribution rates as percentages of covered payroll.

	<u>Plan</u>	<u>2021</u>	<u>2020</u>
C		17.52%	17.71%
A, B, G		7.27%	7.27%
H, general government		8.85%	8.01%
H, uniformed		12.86%	12.89%

amortization payments made by Plan, are as follows:

	<u>Plan</u>	<u>2021</u>	<u>2020</u>
C		\$ 12,319,900	\$ 12,355,524
A, B, G (general government)		\$ 4,922,900	\$ 5,138,755
A, B (education)		\$ 2,422,900	\$ 2,352,608

In addition to these actuarially determined contributions, the City of Knoxville contributes 1.5% of the monthly base earnings of participants in Division G, Option 1 to defined contribution accounts held within the System. Contributions to this plan for the fiscal years ended June 30, 2021 and 2020 were \$89,022 and \$109,893, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Actuarial assumptions: The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation method	Entry age normal
Amortization method	Closed amortization
Remaining amortization period	17 years
Asset valuation method	Fair value, adjusted for a 10-year phase-in of each year's difference between actual and expected value; 80% - 120% limitations
Cost of living adjustment	3.5% per annum for all except Division H; 3.0% per annum for Division H
Investment rate of return	5.5% per annum for Division H; 7.25% per annum for all other divisions
Inflation	2.5% per annum

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

	<u>General Government</u>	<u>Uniformed Bodies</u>
Age 20	11.3%	11.3%
Age 35	4.7%	5.6%
Age 50	3.6%	3.8%
Age 60	3.0%	3.0%

In the July 1, 2020 valuation, Mortality rates for General Government (not including Board of Education) and Uniformed Bodies were based on 110% of the RP-2000 Healthy Annuitant static table rates. Board of Education mortality rates are based on the 2016 PPA Annuitant static table.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2011 - July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major class included in the System's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>
Equity	51.0%
Fixed Income	29.0
Real Assets	20.0
Cash	0.0

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Asset Class	30-Year Expected Nominal Return*	30-Year Expected Real Return
Large Cap Value Stocks	7.60 %	5.10 %
Large Cap Growth Stocks	7.60	5.10
Small-Mid Cap Growth Stocks	8.10	5.60
Small-Mid Cap Value Stocks	8.10	5.60
Developed International Value Stocks	7.80	5.30
Global Low Volatility	7.70	5.20
Emerging Markets Debt	7.00	4.50
Emerging Markets Stocks	8.20	5.70
Defensive Equity	5.00	2.50
Core Fixed Income	4.10	1.60
Long-Term Government Fixed Income	2.80	0.30
TIPS	3.30	0.80
Private Equity	11.30	8.80
Core Real Estate	7.50	5.00
Real Assets	7.50	5.00
Cash	3.50	1.00

*Includes 2.5% Inflation

Discount Rate: The discount rate used to measure the total pension liability on the first basis is equal to the System's expected rate of return of 7.25% (5.5% for Division H). The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory contribution rates and that contributions from the City will be made at the current statutory contributions rates. Based on those assumptions, the System's net position is expected to be available indefinitely. Accordingly, the discount rate is equal to the expected long-term rate of return on assets and does not include a component of the municipal bond rate. The long-term expected rate of return on pension plan investments was applied to periods of projected benefit payments.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020 (July 1, 2019 measurement)	\$ 818,561,168	\$ 606,167,789	\$ 212,393,379
Changes for the year:			
Service cost	13,239,063	-	13,239,063
Interest expense	57,947,662	-	57,947,662
Experience losses (gains)	(2,620,420)	-	(2,620,420)
Change of assumptions	-	-	-
Contributions - City	-	29,167,107	(29,167,107)
Contributions - members	-	4,377,253	(4,377,253)
Net investment income (loss)	-	15,174,020	(15,174,020)
Refunds of contributions	(792,107)	(792,107)	-
Benefits paid	(50,299,815)	(50,299,815)	-
Plan administrative expenses	-	(739,388)	739,388
Net changes	<u>17,474,383</u>	<u>(3,112,930)</u>	<u>20,587,313</u>
Balances at June 30, 2021 (July 1, 2020 measurement)	<u>\$ 836,035,551</u>	<u>\$ 603,054,859</u>	<u>\$ 232,980,692</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)*	Current Rate (7.25%)*	1% Increase (8.25%)*
Net Pension Liability	\$ 330,202,219	\$ 232,980,692	\$ 151,735,886

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

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

For the year ended June 30, 2021, the City recognized pension expense of \$40,229,059. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,881,328	\$ 4,755,360
Change in assumptions	8,985,215	-
Net difference between projected and actual earnings on investments	32,363,781	-
Change in proportion between Government-wide and Business-type Activities	264,382	264,382
Contributions made subsequent to the measurement date	28,947,231	-
Total	\$ 72,441,937	\$ 5,019,742

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

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

For the year ending June 30,	
2022	8,617,968
2023	12,715,019
2024	11,364,959
2025	6,220,362
2026	(69,015)
Thereafter	(374,329)

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

Payable to the Pension Plan

At June 30, 2021, the City reported no contributions payable to the pension plan required for the year ended June 30, 2021.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Component Units

<u>Name</u>	<u>Type</u>	<u>Status</u>
Knoxville Utilities Board	Defined Benefit	Closed
	Defined Contribution	Open
Metropolitan Knoxville Airport Authority	Defined Contribution	Open

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

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

KAT’s contributions for each employee (and investment income allocated to the employees’ account) are vested after five years of employment. Under the terms of the plan, employer contributions are determined annually by the Board of Directors. There are no minimum required employer contributions under the terms of the plan. Employee contributions are optional. Employer contributions totaled \$508,354 in fiscal 2021.

Deferred Compensation Plans

Primary Government

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

Component Unit

Metropolitan Knoxville Airport Authority

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and is administered by International City Management Association Retirement Corporation. The Plan, available to all Authority employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Employee contributions to the Plan were \$158,060 in fiscal 2021.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

The benefit provided are identical to the medical and prescription drug benefits provided to active employees under the City of Knoxville medical plan.

If the employee has dependent medical coverage at the time of retirement and elects to continue coverage under the medical insurance program, the employee may elect to continue coverage for any dependents covered at the time of retirement until the earliest of (1) the date the retiree and/or dependent is eligible for Medicare or (2) the date the dependent is no longer an eligible dependent as defined in the City of Knoxville medical plan for active employees.

Funding Policies

The contribution requirements of the Plan members and City are established and may be amended by the Health Insurance Fund. The required contribution is based on projected pay-as-you-go financing requirements whereby contributions are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. For the fiscal year ended June 30, 2021, the City and the retirees contributed \$965,031.

Employees covered by the benefit terms

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Active participants (covered)	1,144
Active participants (not covered)	19
Retired participants (covered)	76
 Total	 1,239

Total OPEB Liability

The City's total OPEB liability of \$18,344,551 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2021 actuarial valuation, measured as of June 30, 2021, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation method	Entry age normal
Discount Rate	2.18 percent
Healthcare cost trend rates	6.25 percent to grade uniformly to 5.75 percent over 2 years, and following the Getzen model thereafter until reaching an ultimate rate of 4.04 percent in the year 2075
Amortization period	20 years (closed)
Funding policy	Pay-as-you-go

The discount rate was based the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2021.

Mortality rates were based on the 1994 Group Annuity Mortality table for males only for general government, all others were based on 25% Group Annuity 51 Projected 1980 and 75% 1971 Group Annuity Mortality (male and female).

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

	<u>General Government</u>	<u>Uniformed Bodies</u>
Age 20	12.0%	12.0%
Age 35	5.2%	6.2%
Age 50	4.1%	4.3%
Age 60	3.5%	3.5%

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

Changes in the Total OPEB liability

	Total OPEB Liability
Balances at June 30, 2020	\$ 15,737,674
Changes for the year:	
Service cost	688,710
Interest expense	431,372
Experience losses (gains)	2,159,141
Change of assumptions	292,685
Benefits paid	(965,031)
Net changes	2,606,877
Balances at June 30, 2021	\$ 18,344,551

There are no changes in the benefit terms for the Plan.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.18 percent) or 1-percentage-point higher (3.18 percent) than the current discount rate.

	1% Decrease (1.18%)	Current Rate (2.18%)	1% Increase (3.18%)
Total OPEB Liability	\$ 19,632,674	\$ 18,344,551	\$ 17,128,861

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percentage-point lower (5.25 percent decreasing to 4.75 percent) or 1-percentage-point higher (7.25 percent decreasing to 6.75 percent) than the current healthcare cost trend rates:

	1% Decrease 5.25% decreasing to 4.75% over 2 years and following the Getzen model thereafter	Current 6.25% decreasing to 5.75% over 2 years and following the Getzen model thereafter	1% Increase 7.25% decreasing to 6.75% over 2 years and following the Getzen model thereafter
Total OPEB Liability	\$ 16,515,311	\$ 18,344,551	\$ 20,493,162

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,868,584. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,606,913	\$ 156,424
Change in assumptions	585,373	-
Total	\$ 5,192,286	\$ 156,424

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

For the year ending June 30,	
2022	748,502
2023	748,502
2024	748,502
2025	748,502
2026	748,502
Thereafter	1,293,352

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

Component Units

Knoxville Utilities Board

The Knoxville Utilities Board Other Post Employment Benefits Trust (the Trust) is a single-employer Other Post Employment Benefits Plan (OPEB Plan) established by the Knoxville Utilities Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

Additional information regarding the KUB Plan can be found in their separately issued financial statements.

Metropolitan Knoxville Airport Authority and Knoxville Area Transit

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

NOTE 21 - RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

Amounts billed by the Knoxville Utilities Board to the City of Knoxville for electric, gas, water and sewer service	\$12,420,849
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	21,003,825
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	3,354,318
Subsidies paid by the City to Knoxville Area Transit	4,978,720
Accounts payable to the Knoxville Utilities Board	914,091

NOTE 22 - TAX ABATEMENTS

The City of Knoxville typically issues tax abatements in two forms, a payment in lieu of taxes (PILOT), and Tax Increment Financing (TIF Loan). The City's PILOT agreements do not contain clawback or recapture provisions based on performance goals. In the event of default, the City may clawback property or personal taxes that would have been otherwise owed.

The Industrial Development Board of the City of Knoxville (City IDB) performs public functions on behalf of the City of Knoxville. Authorized by Tennessee Code Annotated (TCA) Section 7-53-305, a provision of the Tennessee Industrial Development Corporations Act, the City IDB undertakes financing and development of projects deemed to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board acts as a conduit organization for property tax abatements through PILOT agreements. The abatement, which may be as much as 100% of the standard real and/or personal property taxes, may be granted to any qualified business located within or relocating to property within the boundaries of the City limits. The City currently has 62 active PILOT agreements, with an estimated \$4,531,811 abated in fiscal 2021.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 22 - TAX ABATEMENTS - Continued

The nonprofit organization, Knoxville Community Development Corporation (KCDC), is the official redevelopment agency for the City of Knoxville. Through a Cooperation Agreement with the City of Knoxville, KCDC manages 9 PILOT agreements. These agreements are for the development of affordable housing within Knox County and the City of Knoxville. Additionally, authorized by Tennessee Code Annotated (TCA) Section 9-23-101, the Uniformity in Tax Increment Financing Act of 2012, its board of directors oversee the approval of TIF loans within the City's redevelopment areas. The City remits the incremental portion of the levied taxes as payment to the issuer of the TIF loan. The portion of the tax levy that is allocated for debt service is not affected. The City currently has 30 active TIF agreements, with \$3,003,188 abated in 2021.

	City of Knoxville Tax Abatements		
	PILOT	TIF	Total
2021	\$ 4,531,811	\$ 3,003,188	\$ 7,534,999
1 - 5 years	16,076,055	12,738,568	28,814,623
6 - 10 years	12,022,132	8,582,778	20,604,910
11 - 15 years	5,855,379	6,791,533	12,646,912
16 - 20 years	1,448,691	6,201,709	7,650,400
20 + years	1,380,453	703,015	2,083,468
Total Taxes Abated Over the Next 20+ years	<u>\$ 41,314,521</u>	<u>\$ 38,020,791</u>	<u>\$ 79,335,312</u>

The above table is a current list of the amount of taxes the City of Knoxville estimates to abate over the life of all PILOT and TIF agreements throughout the next 20+ years, *ceteris paribus*.

NOTE 23 – RESTATEMENT OF NET POSITION

Primary Government

The Government adopted GASB Statement No. 84, Fiduciary Activities, for the year ended June 30, 2021. The Statement establishes accounting and financial reporting requirements that, among other things, require that certain activities be reported in custodial funds, and that a Statement of Changes in Fiduciary Activity be reported for those funds. The impact on the financial statements was an increase to beginning net position.

	Statement of Changes in Fiduciary Net Position	
	Fiduciary Funds	Custodial Funds
Net position - beginning of year, as previously reported	\$ -	
Adjustment to record net position for custodial funds		1,498,841
Net position - beginning of year, as restated	<u>\$ 1,498,841</u>	

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2021

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Outstanding 7/1/2020:	Issued During Period:	Paid and/or Matured During Period:	Refunded During Period:	Outstanding 6/30/2021:
Governmental Activities									
Bonds Payable (Through Debt Service Fund)									
General Obligation - Refunding Series 2012	40,862,000	1.0% - 5.0%	5/30/2012	5/1/2025	14,086,100	-	14,086,100	-	-
General Obligation - Series 2014	31,080,000	2.8% - 3.2%	10/10/2014	5/1/2034	25,400,000	-	25,400,000	-	-
General Obligation - Series 2018	14,625,000	3.0% - 5.0%	6/19/2018	5/1/2028	12,070,000	-	1,325,000	-	10,745,000
General Obligation - Refunding Series 2021	81,380,000	3.0% - 5.0%	2/23/2021	2/1/2041	-	81,380,000	-	-	81,380,000
Total Bonds Payable (Through Debt Service Fund)	<u>\$ 167,947,000</u>				<u>\$ 51,556,100</u>	<u>\$ 81,380,000</u>	<u>\$ 40,811,100</u>	<u>\$ -</u>	<u>\$ 92,125,000</u>
Note Payable (Through Miscellaneous Special Revenue Funds)	\$ 2,900,000	LIBOR plus 20 basis points	6/15/2016	7/15/2035	\$ 2,730,000	\$ -	\$ 170,000	\$ -	\$ 2,560,000
Total Governmental Activities	<u>\$ 170,847,000</u>				<u>\$ 54,286,100</u>	<u>\$ 81,380,000</u>	<u>\$ 40,981,100</u>	<u>\$ -</u>	<u>\$ 94,685,000</u>
Business Type Activities									
Bonds Payable (Through Knoxville Convention Center Fund)									
General Obligation - Series A-4-A	59,970,000	Floating interest rate	11/1/2012	5/25/2032	59,970,000	-	-	-	59,970,000
General Obligation - Refunding Series 2012	43,288,000	1.0% - 5.0%	5/30/2012	5/1/2025	28,823,900	-	28,823,900	-	-
General Obligation - Refunding Series 2021	21,005,000	3.0% - 5.0%	2/23/2021	2/1/2041	-	21,005,000	-	-	21,005,000
Total Bonds Payable (Through Knoxville Convention Center Fund)	<u>\$ 135,003,000</u>				<u>\$ 88,793,900</u>	<u>\$ 21,005,000</u>	<u>\$ 28,823,900</u>	<u>\$ -</u>	<u>\$ 80,975,000</u>
Total Business Type Activities	<u>\$ 156,008,000</u>				<u>\$ 88,793,900</u>	<u>\$ 21,005,000</u>	<u>\$ 28,823,900</u>	<u>\$ -</u>	<u>\$ 80,975,000</u>

The debt schedules for Knoxville Utilities Board and Metropolitan Knoxville Airport Authority can be found in their separately issued financial statements.

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

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CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2021

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

Unaudited - See Independent Auditor's Report

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 13.2	\$ 13.0	\$ 13.0	\$ 13.1	\$ 13.1	\$ 12.6	\$ 12.3
Interest	57.9	56.4	55.1	52.5	51.8	50.9	49.4
Differences between expected and actual experience	(2.6)	2.1	(1.9)	(3.7)	2.1	(6.1)	0.9
Changes in assumptions	-	-	-	21.0	-	-	-
Benefit payments/refunds	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Net change in total pension liability	17.4	24.0	18.7	36.7	22.3	13.9	20.3
Total pension liability, beginning	818.6	794.6	775.9	739.2	716.9	703.0	682.7
Total pension liability, ending (a)	<u>\$ 836.0</u>	<u>\$ 818.6</u>	<u>\$ 794.6</u>	<u>\$ 775.9</u>	<u>\$ 739.2</u>	<u>\$ 716.9</u>	<u>\$ 703.0</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9	\$ 22.6	\$ 15.2
Contributions - employee	4.4	4.3	4.2	4.4	4.4	4.1	4.0
Net investment income	15.1	30.8	37.6	63.3	(1.0)	7.9	87.1
Benefit payments/refunds	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Administrative expenses	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)
Net change in plan fiduciary net position	\$ (3.1)	\$ 15.6	\$ 19.3	\$ 44.6	\$ (18.1)	\$ (9.6)	\$ 63.2
Plan fiduciary net position - beginning	606.2	590.6	571.3	526.7	544.8	554.4	491.2
Plan fiduciary net position - ending (b)	<u>\$ 603.1</u>	<u>\$ 606.2</u>	<u>\$ 590.6</u>	<u>\$ 571.3</u>	<u>\$ 526.7</u>	<u>\$ 544.8</u>	<u>\$ 554.4</u>
Net pension liability - ending (a) - (b)	<u>\$ 232.9</u>	<u>\$ 212.4</u>	<u>\$ 204.0</u>	<u>\$ 204.6</u>	<u>\$ 212.5</u>	<u>\$ 172.1</u>	<u>\$ 148.6</u>
Plan fiduciary net position as a % of the total pension liability	72.1%	74.1%	74.3%	73.6%	71.3%	76.0%	78.9%
Covered payroll	74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5	\$ 71.0	\$ 69.9
Net pension liability as a % of covered payroll	312.6%	288.2%	283.3%	281.8%	297.2%	242.4%	212.6%

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

Information regarding the Plan's annual money-weighted rate of return can be found in the Plan's separate financial statements as noted in Note 19.

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2021

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

Unaudited - See Independent Auditor's Report

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 *
Actuarially determined contribution	\$ 28.9	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9	\$ 22.6	\$ 20.9
Contributions in relation to the actuarially determined contribution	<u>28.9</u>	<u>29.2</u>	<u>28.7</u>	<u>25.7</u>	<u>23.8</u>	<u>23.9</u>	<u>22.6</u>	<u>20.9</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 76.3	\$ 74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5	\$ 71.0	\$ 69.9
Contributions as a percentage of covered payroll	37.9%	39.2%	38.9%	35.7%	32.8%	33.4%	31.8%	29.9%

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

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

Schedule of Employer Contributions - Knoxville Utilities Board

Unaudited - See Independent Auditor's Report

	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Actuarially determined contribution	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887	\$ 5,908,541
Contributions in relation to the actuarially determined contributor	<u>2,876,752</u>	<u>2,871,241</u>	<u>3,456,475</u>	<u>4,286,597</u>	<u>5,243,146</u>	<u>5,991,887</u>	<u>5,908,541</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743	\$ 44,076,351
Contributions as a percentage of covered payroll	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%	13.41%

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

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2021

Schedule of Changes in Total OPEB Liability and Related Ratios

Unaudited - See Independent Auditor's Report

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 688,710	\$ 655,914	\$ 624,680	\$ 436,576
Interest	431,372	427,163	317,285	349,404
Differences between expected and actual experience	2,159,141	-	4,031,515	(260,708)
Changes in assumptions	292,685	-	487,812	-
Benefit payments/refunds	<u>(965,031)</u>	<u>(1,066,425)</u>	<u>(992,024)</u>	<u>(384,860)</u>
Net change in total OPEB liability	2,606,877	16,652	4,469,268	140,412
Total OPEB liability-beginning	<u>15,737,674</u>	<u>15,721,022</u>	<u>11,251,754</u>	<u>11,111,342</u>
Total OPEB liability-ending	<u>\$ 18,344,551</u>	<u>\$ 15,737,674</u>	<u>\$ 15,721,022</u>	<u>\$ 11,251,754</u>
Covered-employee payroll	\$ 61,515,202	\$ 66,732,474	\$ 64,073,427	\$ 76,085,183
Total OPEB liability as a percentage of covered-employee payroll	29.8%	23.6%	24.5%	14.8%

Notes to Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year end were determined as of the prior fiscal year end.

This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The following changes were made to the actuarial assumptions and methods effective January 1, 2019: 1) The discount rate is 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2019, compared to the prior Statement No. 75 discount rate of 3.13%. 2) The medical claims aging table was updated to be based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013. 3) The assumed trend rate for the medical claims was changed from 8.00% grading uniformly to an ultimate rate of 5.00% over 12 years to 7.5% grading uniformly to 6.75% over 3 years, and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.

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Nonmajor Governmental Funds

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

Special Revenue Funds

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

CITY OF KNOXVILLE, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds					
	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Assets						
Cash and cash equivalents	\$ 100	\$ 27,541	\$ 9,061	\$ 90,394	\$ 36,217	\$ 192,286
Investments	3,477,179	-	528,795	1,323,487	1,074,165	-
Accounts receivable	1,192,023	1,915,772	1,419	14,386	10,137	384,793
Notes receivable	-	1,515,065	-	-	-	-
Inventories	480,906	47,857	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 5,150,208	\$ 3,506,235	\$ 539,275	\$ 1,428,267	\$ 1,120,519	\$ 577,079
Liabilities						
Accounts payable	\$ 656,586	\$ 431,242	\$ 33,832	\$ 15,162	\$ 69,435	\$ 195,192
Accrued liabilities	-	23,791	16,645	78,410	27,899	14,771
Customer deposits	-	25,261	-	-	-	-
Due to other funds	123,245	1,463,019	-	145,629	111,476	749,737
Due to other governmental agencies	-	-	-	-	17,373	-
Total liabilities	779,831	1,943,313	50,477	239,201	226,183	959,700
Deferred inflows of resources						
Unavailable revenue - other	-	1,515,065	-	-	-	50,055
Total deferred inflows of resources	-	1,515,065	-	-	-	50,055
Fund balances						
Non-spendable	480,906	47,857	-	-	-	-
Restricted	3,889,471	-	-	-	-	-
Committed	-	-	488,798	1,189,066	894,336	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(432,676)
Total fund balances	4,370,377	47,857	488,798	1,189,066	894,336	(432,676)
Total liabilities, deferred inflows of resources and fund balances	\$ 5,150,208	\$ 3,506,235	\$ 539,275	\$ 1,428,267	\$ 1,120,519	\$ 577,079

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

Special Revenue Funds (continued)					Permanent Fund		
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
\$ 100	\$ 644,943	\$ 591,335	\$ 583,355	\$ -	\$ 2,175,332	\$ 432,950	\$ 2,608,282
754,755	7,477,528	1,438,707	4,423,421	-	20,498,037	582,123	21,080,160
300	80,383	1,580	37,452	-	3,638,245	-	3,638,245
-	2,730,000	-	-	-	4,245,065	-	4,245,065
-	-	-	-	-	528,763	-	528,763
-	-	-	-	-	-	-	-
<u>\$ 755,155</u>	<u>\$ 10,932,854</u>	<u>\$ 2,031,622</u>	<u>\$ 5,044,228</u>	<u>\$ -</u>	<u>\$ 31,085,442</u>	<u>\$ 1,015,073</u>	<u>\$ 32,100,515</u>
\$ -	\$ 111,377	\$ 26,469	\$ 828,529	\$ -	\$ 2,367,824	\$ -	\$ 2,367,824
-	19,381	102,982	28,625	-	312,504	-	312,504
-	951,502	-	-	-	976,763	-	976,763
600	74,370	-	16,591	-	2,684,667	-	2,684,667
-	12,849	-	-	-	30,222	-	30,222
<u>600</u>	<u>1,169,479</u>	<u>129,451</u>	<u>873,745</u>	<u>-</u>	<u>6,371,980</u>	<u>-</u>	<u>6,371,980</u>
-	2,730,000	-	-	-	4,295,120	-	4,295,120
-	2,730,000	-	-	-	4,295,120	-	4,295,120
-	-	-	-	-	528,763	624,067	1,152,830
-	3,787,312	-	4,170,483	-	11,847,266	391,006	12,238,272
754,555	2,593,019	1,902,171	-	-	7,821,945	-	7,821,945
-	653,044	-	-	-	653,044	-	653,044
-	-	-	-	-	(432,676)	-	(432,676)
<u>754,555</u>	<u>7,033,375</u>	<u>1,902,171</u>	<u>4,170,483</u>	<u>-</u>	<u>20,418,342</u>	<u>1,015,073</u>	<u>21,433,415</u>
<u>\$ 755,155</u>	<u>\$ 10,932,854</u>	<u>\$ 2,031,622</u>	<u>\$ 5,044,228</u>	<u>\$ -</u>	<u>\$ 31,085,442</u>	<u>\$ 1,015,073</u>	<u>\$ 32,100,515</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	\$ 6,473,351	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits & inspection charges	-	-	-	2,969,829	-	-
Intergovernmental	-	3,218,783	-	-	224,872	1,358,465
Charges for services	-	-	336,025	-	14,575	-
Fines & forfeitures	-	-	-	-	1,316,362	-
Other	1,760	145,397	420,678	1,551	12,045	295
Total revenues	<u>6,475,111</u>	<u>3,364,180</u>	<u>756,703</u>	<u>2,971,380</u>	<u>1,567,854</u>	<u>1,358,760</u>
Expenditures						
Current:						
Administration	-	-	-	-	-	-
Finance	-	-	-	-	-	-
Community Development	-	3,369,020	-	-	-	23,015
Parks and Recreation	-	-	-	-	-	278
Engineering	2,656,368	-	874,533	-	-	8,543
Public Services	-	-	-	2,772,447	-	-
Law	-	-	-	-	956,353	-
Police	-	-	-	-	-	1,867,993
Emergency Management	-	-	-	-	-	14,190
Fire	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	<u>2,656,368</u>	<u>3,369,020</u>	<u>874,533</u>	<u>2,772,447</u>	<u>956,353</u>	<u>1,914,019</u>
Excess (deficiency) of revenues over (under) expenditures	3,818,743	(4,840)	(117,830)	198,933	611,501	(555,259)
Other financing sources (uses)						
Transfers in	-	4,840	205,380	15,610	-	34
Transfers out	(3,112,740)	-	(131)	(749)	(826,146)	-
Total other financing sources (uses)	<u>(3,112,740)</u>	<u>4,840</u>	<u>205,249</u>	<u>14,861</u>	<u>(826,146)</u>	<u>34</u>
Net changes in fund balances	706,003	-	87,419	213,794	(214,645)	(555,225)
Fund balances - beginning	<u>3,664,374</u>	<u>47,857</u>	<u>401,379</u>	<u>975,272</u>	<u>1,108,981</u>	<u>122,549</u>
Fund balances - ending	<u>\$ 4,370,377</u>	<u>\$ 47,857</u>	<u>\$ 488,798</u>	<u>\$ 1,189,066</u>	<u>\$ 894,336</u>	<u>\$ (432,676)</u>

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

Special Revenue Funds (Continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,473,351	\$ -	\$ 6,473,351
-	-	-	-	-	2,969,829	-	2,969,829
-	118,570	-	99,704	-	5,020,394	-	5,020,394
37,374	251,266	354,177	2,072,090	199,998	3,265,505	-	3,265,505
-	862,873	-	-	-	2,179,235	-	2,179,235
1,041	174,075	1,845	58,966	-	817,653	79,250	896,903
38,415	1,406,784	356,022	2,230,760	199,998	20,725,967	79,250	20,805,217
-	-	-	-	-	-	-	-
-	-	-	-	199,998	199,998	-	199,998
-	229,872	-	-	-	3,621,907	-	3,621,907
-	35,445	-	-	-	35,723	-	35,723
-	-	3,213,907	-	-	6,753,351	-	6,753,351
4,191	-	-	9,817,123	-	12,593,761	-	12,593,761
-	-	-	-	-	956,353	-	956,353
-	856,678	-	-	-	2,724,671	-	2,724,671
-	-	-	-	-	14,190	-	14,190
-	9,756	-	-	-	9,756	-	9,756
-	10,154	-	-	-	10,154	-	10,154
4,191	1,141,905	3,213,907	9,817,123	199,998	26,919,864	-	26,919,864
34,224	264,879	(2,857,885)	(7,586,363)	-	(6,193,897)	79,250	(6,114,647)
-	427,790	3,316,010	7,450,270	-	11,419,934	-	11,419,934
-	(289,820)	(3,686)	(58,257)	-	(4,291,529)	-	(4,291,529)
-	137,970	3,312,324	7,392,013	-	7,128,405	-	7,128,405
34,224	402,849	454,439	(194,350)	-	934,508	79,250	1,013,758
720,331	6,630,526	1,447,732	4,364,833	-	19,483,834	935,823	20,419,657
\$ 754,555	\$ 7,033,375	\$ 1,902,171	\$ 4,170,483	\$ -	\$ 20,418,342	\$ 1,015,073	\$ 21,433,415

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 STATE STREET AID
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With</u>
				<u>Final Budget</u>
Revenues:				
Taxes, assessments, interest & penalties	\$ 6,100,000	\$ 6,100,000	\$ 6,473,351	\$ 373,351
Other	3,000	6,720	1,760	(4,960)
Total revenues	<u>6,103,000</u>	<u>6,106,720</u>	<u>6,475,111</u>	<u>368,391</u>
Expenditures				
Current:				
Engineering	<u>2,990,260</u>	<u>2,993,980</u>	<u>2,656,368</u>	<u>337,612</u>
Total expenditures	<u>2,990,260</u>	<u>2,993,980</u>	<u>2,656,368</u>	<u>337,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,112,740</u>	<u>3,112,740</u>	<u>3,818,743</u>	<u>706,003</u>
Other financing sources (uses)				
Transfers out	<u>(3,112,740)</u>	<u>(3,112,740)</u>	<u>(3,112,740)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,112,740)</u>	<u>(3,112,740)</u>	<u>(3,112,740)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	706,003	<u>\$ 706,003</u>
Fund balance - beginning			<u>3,664,374</u>	
Fund balance - ending			<u>\$ 4,370,377</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GAAP BASIS
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Intergovernmental	\$ 1,761,800	\$ 1,761,800	\$ 3,218,783	\$ 1,456,983
Other	100,000	1,095,832	145,397	(950,435)
Total revenues	<u>1,861,800</u>	<u>2,857,632</u>	<u>3,364,180</u>	<u>506,548</u>
Expenditures:				
Current:				
Community Development	<u>2,221,800</u>	<u>3,222,472</u>	<u>3,369,020</u>	<u>(146,548)</u>
Total expenditures	<u>2,221,800</u>	<u>3,222,472</u>	<u>3,369,020</u>	<u>(146,548)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(360,000)</u>	<u>(364,840)</u>	<u>(4,840)</u>	<u>360,000</u>
Other financing sources (uses)				
Transfers in	-	4,840	4,840	-
Appropriated fund balance	<u>360,000</u>	<u>360,000</u>	-	<u>(360,000)</u>
Total other financing sources (uses)	<u>360,000</u>	<u>364,840</u>	<u>4,840</u>	<u>(360,000)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			<u>47,857</u>	
Fund balances - ending			<u>\$ 47,857</u>	

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

CITY OF KNOXVILLE , TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 ABANDONED VEHICLES
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues:				
Charges for services:	\$ 250,000	\$ 250,000	\$ 336,025	\$ 86,025
Other	307,070	307,101	420,678	113,577
Total revenues	<u>557,070</u>	<u>557,101</u>	<u>756,703</u>	<u>199,602</u>
Expenditures				
Current:				
Fleet	876,030	881,301	874,533	6,768
Total expenditures	<u>876,030</u>	<u>881,301</u>	<u>874,533</u>	<u>6,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(318,960)</u>	<u>(324,200)</u>	<u>(117,830)</u>	<u>206,370</u>
Other financing sources (uses)				
Transfers in	200,000	205,380	205,380	-
Transfers out	-	(140)	(131)	9
Appropriated fund balance	118,960	118,960	-	(118,960)
Total other financing sources (uses)	<u>318,960</u>	<u>324,200</u>	<u>205,249</u>	<u>(118,951)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	87,419	<u>\$ 87,419</u>
Fund balance - beginning			<u>401,379</u>	
Fund balance - ending			<u>\$ 488,798</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 CITY INSPECTIONS
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Licenses, permits & inspection charges	\$ 2,972,520	\$ 2,972,520	\$ 2,969,829	\$ (2,691)
Other	13,000	13,038	1,551	(11,487)
Total revenues	<u>2,985,520</u>	<u>2,985,558</u>	<u>2,971,380</u>	<u>(14,178)</u>
Expenditures				
Current:				
Inspections	<u>2,985,520</u>	<u>2,983,748</u>	<u>2,772,447</u>	<u>211,301</u>
Total expenditures	<u>2,985,520</u>	<u>2,983,748</u>	<u>2,772,447</u>	<u>211,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>1,810</u>	<u>198,933</u>	<u>197,123</u>
Other financing sources (uses)				
Transfers in	-	-	15,610	15,610
Transfers out	-	(1,810)	(749)	1,061
Total other financing sources (uses)	<u>-</u>	<u>(1,810)</u>	<u>14,861</u>	<u>16,671</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>213,794</u>	<u>\$ 213,794</u>
Fund balance - beginning			<u>975,272</u>	
Fund balance - ending			<u>\$ 1,189,066</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final Budget
Revenue				
Intergovernmental	\$ 310,000	\$ 310,000	\$ 224,872	\$ (85,128)
Charges for services	35,570	35,570	14,575	(20,995)
Fines & forfeitures	1,610,770	1,610,770	1,316,362	(294,408)
Other	<u>25,000</u>	<u>25,092</u>	<u>12,045</u>	<u>(13,047)</u>
Total revenues	<u>1,981,340</u>	<u>1,981,432</u>	<u>1,567,854</u>	<u>(413,578)</u>
Expenditures				
Current:				
Law	<u>1,155,230</u>	<u>1,155,282</u>	<u>956,353</u>	<u>198,929</u>
Total expenditures	<u>1,155,230</u>	<u>1,155,282</u>	<u>956,353</u>	<u>198,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>826,110</u>	<u>826,150</u>	<u>611,501</u>	<u>(214,649)</u>
Other financing sources (uses)				
Transfers out	<u>(826,110)</u>	<u>(826,150)</u>	<u>(826,146)</u>	<u>4</u>
Total other financing sources (uses)	<u>(826,110)</u>	<u>(826,150)</u>	<u>(826,146)</u>	<u>4</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(214,645)</u>	<u>\$ (214,645)</u>
Fund balance - beginning			<u>1,108,981</u>	
Fund balance - ending			<u>\$ 894,336</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 ANIMAL CONTROL
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Charges for services	\$ 40,000	\$ 40,000	\$ 37,374	\$ (2,626)
Other	5,000	5,000	1,041	(3,959)
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>38,415</u>	<u>(6,585)</u>
Expenditures				
Current:				
Public services	45,000	45,000	4,191	40,809
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>4,191</u>	<u>40,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>34,224</u>	<u>34,224</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>34,224</u>	<u>\$ 34,224</u>
Fund balances - beginning			<u>720,331</u>	
Fund balances - ending			<u>\$ 754,555</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 MISCELLANEOUS SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 118,570	\$ 18,570
Charges for services	57,680	57,680	251,266	193,586
Fines & forfeitures	737,900	737,900	862,873	124,973
Other	140,200	151,030	174,075	23,045
Total revenues	<u>1,035,780</u>	<u>1,046,610</u>	<u>1,406,784</u>	<u>360,174</u>
Expenditures				
Current:				
Community Development	3,000	177,920	229,872	(51,952)
Parks and Recreation	82,750	95,940	35,445	60,495
Police	1,564,790	1,575,750	856,678	719,072
Fire	10,250	9,760	9,756	4
Legislative	155,000	155,000	10,154	144,846
Total expenditures	<u>1,815,790</u>	<u>2,014,370</u>	<u>1,141,905</u>	<u>872,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(780,010)</u>	<u>(967,760)</u>	<u>264,879</u>	<u>1,232,639</u>
Other financing sources (uses)				
Transfers in	254,830	427,790	427,790	-
Transfers out	(287,720)	(289,830)	(289,820)	10
Appropriated fund balance	812,900	829,800	-	(829,800)
Total other financing sources (uses)	<u>780,010</u>	<u>967,760</u>	<u>137,970</u>	<u>(829,790)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>402,849</u>	<u>\$ 402,849</u>
Fund balances - beginning			<u>6,630,526</u>	
Fund balances - ending			<u>\$ 7,033,375</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 STORM WATER
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Charges for services	\$ 226,250	\$ 226,250	\$ 354,177	\$ 127,927
Other	7,000	7,295	1,845	(5,450)
Total revenues	<u>233,250</u>	<u>233,545</u>	<u>356,022</u>	<u>122,477</u>
Expenditures				
Current:				
Engineering	<u>3,476,760</u>	<u>3,495,965</u>	<u>3,213,907</u>	<u>282,058</u>
Total expenditures	<u>3,476,760</u>	<u>3,495,965</u>	<u>3,213,907</u>	<u>282,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,243,510)</u>	<u>(3,262,420)</u>	<u>(2,857,885)</u>	<u>404,535</u>
Other financing sources (uses)				
Transfers in	3,243,510	3,266,110	3,316,010	49,900
Transfers out	-	(3,690)	(3,686)	4
Total other financing sources (uses)	<u>3,243,510</u>	<u>3,262,420</u>	<u>3,312,324</u>	<u>49,904</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	454,439	<u>\$ 454,439</u>
Fund balance - beginning			<u>1,447,732</u>	
Fund balance - ending			<u>\$ 1,902,171</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 SOLID WASTE
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Charges for services	\$ 1,900,000	\$ 1,900,000	\$ 2,072,090	\$ 172,090
Intergovernmental	83,000	83,000	99,704	16,704
Other	151,000	151,058	58,966	(92,092)
Total revenues	<u>2,134,000</u>	<u>2,134,058</u>	<u>2,230,760</u>	<u>96,702</u>
Expenditures				
Current:				
Public Services	9,577,270	9,795,858	9,817,123	(21,265)
Total expenditures	<u>9,577,270</u>	<u>9,795,858</u>	<u>9,817,123</u>	<u>(21,265)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,443,270)</u>	<u>(7,661,800)</u>	<u>(7,586,363)</u>	<u>75,437</u>
Other financing sources (uses)				
Transfers in	7,443,270	7,450,270	7,450,270	-
Transfers out	-	(58,280)	(58,257)	23
Appropriated fund balance	-	269,810	-	(269,810)
Total other financing sources (uses)	<u>7,443,270</u>	<u>7,661,800</u>	<u>7,392,013</u>	<u>(269,787)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(194,350)</u>	<u>\$ (194,350)</u>
Fund balance - beginning			<u>4,364,833</u>	
Fund balance - ending			<u>\$ 4,170,483</u>	

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

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CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2021

Assets

Cash and cash equivalents	\$	100
Investments		71,541,875
Accounts receivable		255,070
Taxes receivable		24,623,763
Total assets	\$	<u>96,420,808</u>

Liabilities

Due to other funds	\$	5,807,908
Due to other governmental agencies		2,586
Total liabilities		<u>5,810,494</u>

Deferred inflows of resources

Unavailable revenue - property taxes		<u>24,533,016</u>
Total deferred inflows of resources		<u>24,533,016</u>

Fund balances

Committed		<u>66,077,298</u>
Total fund balance		<u>66,077,298</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>96,420,808</u>

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GAAP BASIS
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Taxes, assessments, interest & penalties	\$ 23,652,830	\$ 23,652,830	\$ 23,939,400	\$ 286,570
Other	481,650	481,650	761,957	280,307
Total revenues	<u>24,134,480</u>	<u>24,134,480</u>	<u>24,701,357</u>	<u>566,877</u>
Expenditures				
Current:				
Debt service:				
Issuance costs	-	384,670	80,169	304,501
Principal retirement	8,183,420	48,994,520	40,811,100	8,183,420
Interest payments on bonds & notes	<u>3,817,340</u>	<u>3,817,340</u>	<u>1,629,049</u>	<u>2,188,291</u>
Total expenditures	<u>12,000,760</u>	<u>53,196,530</u>	<u>42,520,318</u>	<u>10,676,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,133,720</u>	<u>(29,062,050)</u>	<u>(17,818,961)</u>	<u>11,243,089</u>
Other financing sources (uses)				
Bonds proceeds	-	100,757,890	81,380,000	(19,377,890)
Debt issue premium	-	-	16,982,599	16,982,599
Transfers in	1,477,740	1,477,740	1,477,740	-
Transfers out	(10,200,000)	(73,173,580)	(73,173,571)	9
Other appropriated fund balance	<u>(3,411,460)</u>	-	-	-
Total other financing sources (uses)	<u>(12,133,720)</u>	<u>29,062,050</u>	<u>26,666,768</u>	<u>(2,395,282)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>8,847,807</u>	<u>\$ 8,847,807</u>
Fund balance - beginning			<u>57,229,491</u>	
Fund balance - ending			<u>\$ 66,077,298</u>	

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

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2021

Assets

Cash and cash equivalents	\$	1,334,822
Investments		125,742,062
Accounts receivable		5,619,810
Inventory		5,200
Due from other funds		4,122,870
Total assets	\$	<u>136,824,764</u>

Liabilities

Accounts payable	\$	4,257,260
Accrued liabilities		<u>1,653,773</u>
Total liabilities		<u>5,911,033</u>

Deferred inflows of resources

Unavailable revenue - other		<u>2,012,318</u>
Total deferred inflows of resources		<u>2,012,318</u>

Fund balance

Nonspendable		5,200
Committed		<u>128,896,213</u>
Total fund balance		<u>128,901,413</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>136,824,764</u>

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - FROM INCEPTION
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2021

	Actual		Total to Date	Project Authorization	Variance With Final Budget
	Prior Years	Current Year			
Revenues					
Intergovernmental	\$ 47,011,535	\$ 8,368,382	\$ 55,379,917	\$ 88,583,343	\$ (33,203,426)
Other	40,587,156	5,594,782	46,181,938	25,363,957	20,817,981
Total revenues	<u>87,598,691</u>	<u>13,963,164</u>	<u>101,561,855</u>	<u>113,947,300</u>	<u>(12,385,445)</u>
Expenditures					
Current:					
Capital & grant projects	422,666,293	44,295,796	466,962,089	508,887,025	41,924,936
Total expenditures	<u>422,666,293</u>	<u>44,295,796</u>	<u>466,962,089</u>	<u>508,887,025</u>	<u>41,924,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(335,067,602)</u>	<u>(30,332,632)</u>	<u>(365,400,234)</u>	<u>(394,939,725)</u>	<u>29,539,491</u>
Other financing sources (uses)					
Bonds proceeds	46,745,932	-	46,745,932	110,014,407	(63,268,475)
Debt issue premium	527,039	-	527,039	-	527,039
Transfers in	304,765,736	78,653,931	383,419,667	284,925,318	98,494,349
Transfers out	(6,161,363)	(1,221,425)	(7,382,788)	-	(7,382,788)
Total other financing sources (uses)	<u>345,877,344</u>	<u>77,432,506</u>	<u>423,309,850</u>	<u>394,939,725</u>	<u>28,370,125</u>
Net changes in fund balance	<u>\$ 10,809,742</u>	47,099,874	<u>\$ 57,909,616</u>	<u>\$ -</u>	<u>\$ 57,909,616</u>
Fund balance - beginning		<u>81,801,539</u>			
Fund balance - ending		<u>\$ 128,901,413</u>			

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

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Nonmajor Enterprise Funds

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

Metro Parking Fund

To account for the operations of the City's municipal parking facilities.

**Public Assembly
Facilities Fund**

To account for the operation of the City's municipal auditorium.

Municipal Golf Courses

To account for the operation of the City's municipal golf courses.

CITY OF KNOXVILLE, TENNESSEE

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2021**

Assets	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Current assets				
Cash & temporary investments	\$ 7,979	\$ 2,321,372	\$ 691,214	\$ 3,020,565
Investments	6,474,512	4,398,443	689,905	11,562,860
Accounts receivable	364,872	84,653	151	449,676
Due from other funds	-	1,700,000	-	1,700,000
Inventories	-	1,500	14,636	16,136
Prepaid items	-	21,818	33,619	55,437
Total current assets	<u>6,847,363</u>	<u>8,527,786</u>	<u>1,429,525</u>	<u>16,804,674</u>
Noncurrent assets				
Land and site improvements	2,079,796	1,831,368	473,119	4,384,283
Buildings and improvements	40,793,807	31,469,446	13,470	72,276,723
Equipment, furniture and fixtures	1,499,592	3,771,701	126,412	5,397,705
Infrastructure and site improvements	-	118,960	1,036,842	1,155,802
Construction in progress	-	6,200	-	6,200
Less: accumulated depreciation	<u>(21,924,529)</u>	<u>(21,956,653)</u>	<u>(408,655)</u>	<u>(44,289,837)</u>
Total capital assets (net of accumulated depreciation)	22,448,666	15,241,022	1,241,188	38,930,876
Equity interest in joint venture	-	-	-	-
Total noncurrent assets	<u>22,448,666</u>	<u>15,241,022</u>	<u>1,241,188</u>	<u>38,930,876</u>
Total assets	<u>29,296,029</u>	<u>23,768,808</u>	<u>2,670,713</u>	<u>55,735,550</u>
Liabilities				
Current liabilities				
Accounts payable	59,681	210,325	282,569	552,575
Accrued liabilities	13,724	1,108,500	-	1,122,224
Unearned revenue	-	145,381	24,427	169,808
Due to other funds	13,863	-	333,899	347,762
Total current liabilities	<u>87,268</u>	<u>1,464,206</u>	<u>640,895</u>	<u>2,192,369</u>
Total liabilities	<u>87,268</u>	<u>1,464,206</u>	<u>640,895</u>	<u>2,192,369</u>
Deferred inflows of resources				
Pensions	-	264,382	-	264,382
Total deferred inflows of resources	<u>-</u>	<u>264,382</u>	<u>-</u>	<u>264,382</u>
Net position				
Net investment in capital assets	22,448,666	15,241,022	1,241,188	38,930,876
Unrestricted	<u>6,760,095</u>	<u>6,799,198</u>	<u>788,630</u>	<u>14,347,923</u>
Total net position	<u>\$ 29,208,761</u>	<u>\$ 22,040,220</u>	<u>\$ 2,029,818</u>	<u>\$ 53,278,799</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 3,338,589	\$ 1,237,171	\$ 1,469,314	\$ 6,045,074
Total operating revenues	<u>3,338,589</u>	<u>1,237,171</u>	<u>1,469,314</u>	<u>6,045,074</u>
Operating expenses				
Personal services	173,735	-	-	173,735
Materials & supplies	655,954	15,081	-	671,035
Depreciation & amortization	1,485,810	1,196,586	57,300	2,739,696
Other operating expenses	<u>2,472,200</u>	<u>3,625,565</u>	<u>1,515,951</u>	<u>7,613,716</u>
Total operating expenses	<u>4,787,699</u>	<u>4,837,232</u>	<u>1,573,251</u>	<u>11,198,182</u>
Operating income (loss)	<u>(1,449,110)</u>	<u>(3,600,061)</u>	<u>(103,937)</u>	<u>(5,153,108)</u>
Nonoperating revenue (expense)				
Interest income	9,325	6,646	489	16,460
Intergovernmental revenue	-	-	35,728	35,728
Other revenues	<u>-</u>	<u>153,292</u>	<u>5,540</u>	<u>158,832</u>
Total nonoperating revenue (expense)	<u>9,325</u>	<u>159,938</u>	<u>41,757</u>	<u>211,020</u>
Income (loss) before transfers and capital contributions	(1,439,785)	(3,440,123)	(62,180)	(4,942,088)
Transfers in	2,150	2,737,570	392,240	3,131,960
Transfers out	-	-	-	-
Capital contributions	<u>399,680</u>	<u>258,690</u>	<u>-</u>	<u>658,370</u>
Change in net position	(1,037,955)	(443,863)	330,060	(1,151,758)
Fund balances - beginning	<u>30,246,716</u>	<u>22,484,083</u>	<u>1,699,758</u>	<u>54,430,557</u>
Fund balances - ending	<u>\$ 29,208,761</u>	<u>\$ 22,040,220</u>	<u>\$ 2,029,818</u>	<u>\$ 53,278,799</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Metro Parking</u>	<u>Public Assembly Facilities</u>	<u>Municipal Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating activities				
Cash received from customers and users	\$ 3,169,841	\$ 1,260,674	\$ 1,471,135	\$ 5,901,650
Cash paid to suppliers	(3,167,288)	(3,778,407)	(1,422,955)	(8,368,650)
Cash paid to employees	(171,421)	-	-	(171,421)
Net cash provided by (used in) operating activities	<u>(168,868)</u>	<u>(2,517,733)</u>	<u>48,180</u>	<u>(2,638,421)</u>
Noncapital financing activities				
Transfers from other funds	-	3,392,770	726,139	4,118,909
Transfers to other funds	(13,987)	-	-	(13,987)
Tax and intergovernmental revenues	-	411,982	5,540	417,522
Net cash provided by (used in) noncapital financing activities	<u>(13,987)</u>	<u>3,804,752</u>	<u>731,679</u>	<u>4,522,444</u>
Capital and related financing activities				
Acquisition and construction of capital assets	(399,680)	(233,689)	-	(633,369)
Capital contributions	399,680	-	-	399,680
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(233,689)</u>	<u>-</u>	<u>(233,689)</u>
Investing activities				
Sales/(purchases) of investments, net	179,093	(435,777)	(605,906)	(862,590)
Investment earnings	9,325	6,646	489	16,460
Net cash provided by (used in) investing activities	<u>188,418</u>	<u>(429,131)</u>	<u>(605,417)</u>	<u>(846,130)</u>
Net increase (decrease) in cash and cash equivalents	<u>5,563</u>	<u>624,199</u>	<u>174,442</u>	<u>804,204</u>
Cash and cash equivalents				
Beginning of year	<u>2,416</u>	<u>1,697,173</u>	<u>516,772</u>	<u>2,216,361</u>
End of year	<u>\$ 7,979</u>	<u>\$ 2,321,372</u>	<u>\$ 691,214</u>	<u>\$ 3,020,565</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Metro Parking</u>	<u>Public Assembly Facilities</u>	<u>Municipal Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss)				
to net cash provided by				
(used in) operating activities				
Operating income (loss)	\$ (1,449,110)	\$ (3,600,061)	\$ (103,937)	\$ (5,153,108)
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating				
activities:				
Depreciation	1,485,810	1,196,586	57,300	2,739,696
Pension expense (negative expense)	-	(264,385)	-	(264,385)
Change in assets and liabilities				
(Increase) decrease in receivables	(168,748)	17,356	(151)	(151,543)
(Increase) decrease in prepayments	-	3,022	(21,304)	(18,282)
(Increase) decrease in inventories	-	-	2,774	2,774
Increase (decrease) in accounts payable	(39,134)	(40,576)	111,526	31,816
Increase (decrease) in accrued expenses	2,314	167,200	-	169,514
Increase (decrease) in deferred revenue	-	3,125	1,972	5,097
Total adjustments	<u>1,280,242</u>	<u>1,082,328</u>	<u>152,117</u>	<u>2,514,687</u>
Net cash provided by (used in) operating activities	<u>\$ (168,868)</u>	<u>\$ (2,517,733)</u>	<u>\$ 48,180</u>	<u>\$ (2,638,421)</u>

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

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Internal Service Funds

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

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2021

Assets	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Current assets						
Cash & temporary investments	\$ 888,785	\$ 515,042	\$ 323,290	\$ 893,062	\$ 1,719,923	\$ 4,340,102
Investments	54,594,916	38,046,558	23,874,387	21,494,878	-	138,010,739
Accounts receivable	50,796	59	639,825	-	-	690,680
Due from other funds	2,700,000	-	907,908	-	-	3,607,908
Inventories	1,405,260	-	-	-	-	1,405,260
Total current assets	<u>59,639,757</u>	<u>38,561,659</u>	<u>25,745,410</u>	<u>22,387,940</u>	<u>1,719,923</u>	<u>148,054,689</u>
Noncurrent assets						
Construction in process	44,950	-	-	5,149	-	50,099
Building & building improvements	257,391	-	-	-	-	257,391
Equipment	81,251,743	19,995	-	29,109,763	-	110,381,501
Less: accumulated depreciation	(50,442,113)	(19,995)	-	(17,272,128)	-	(67,734,236)
Total capital assets (net of accumulated depreciation)	31,111,971	-	-	11,842,784	-	42,954,755
Equity interest in joint venture	-	-	-	-	1,423,744	1,423,744
Total noncurrent assets	<u>31,111,971</u>	<u>-</u>	<u>-</u>	<u>11,842,784</u>	<u>1,423,744</u>	<u>44,378,499</u>
Total assets	<u>90,751,728</u>	<u>38,561,659</u>	<u>25,745,410</u>	<u>34,230,724</u>	<u>3,143,667</u>	<u>192,433,188</u>
Deferred outflows of resources						
Pensions	1,199,111	250,024	141,699	-	-	1,590,834
Total deferred outflows of resources	<u>1,199,111</u>	<u>250,024</u>	<u>141,699</u>	<u>-</u>	<u>-</u>	<u>1,590,834</u>
Liabilities						
Current liabilities						
Accounts payable	354,740	357,906	649,092	95,353	44,730	1,501,821
Accrued liabilities	269,347	62,325	44,572	-	-	376,244
Customer deposits	6,493	-	-	-	-	6,493
Due to other funds	-	2,726	-	-	-	2,726
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	<u>630,580</u>	<u>5,522,957</u>	<u>693,664</u>	<u>95,353</u>	<u>44,730</u>	<u>6,987,284</u>
Noncurrent liabilities						
Net pension liability	3,870,590	807,049	457,388	-	-	5,135,027
Estimated claims liability	-	12,600,000	2,750,000	-	-	15,350,000
Total noncurrent liabilities	<u>3,870,590</u>	<u>13,407,049</u>	<u>3,207,388</u>	<u>-</u>	<u>-</u>	<u>20,485,027</u>
Total liabilities	<u>4,501,170</u>	<u>18,930,006</u>	<u>3,901,052</u>	<u>95,353</u>	<u>44,730</u>	<u>27,472,311</u>
Deferred inflows of resources						
Pensions	79,002	16,473	9,336	-	-	104,811
Total deferred inflows of resources	<u>79,002</u>	<u>16,473</u>	<u>9,336</u>	<u>-</u>	<u>-</u>	<u>104,811</u>
Net position						
Net investment in capital assets	31,111,971	-	-	11,842,784	-	42,954,755
Unrestricted	56,258,696	19,865,204	21,976,721	22,292,587	3,098,937	123,492,145
Total net position	<u>\$ 87,370,667</u>	<u>\$ 19,865,204</u>	<u>\$ 21,976,721</u>	<u>\$ 34,135,371</u>	<u>\$ 3,098,937</u>	<u>\$ 166,446,900</u>

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

CITY OF KNOXVILLE, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Operating revenues						
Charges for services	\$ 16,914,559	\$ 6,536,770	\$ 20,220,460	\$ 3,138,830	\$ 2,267,240	\$ 49,077,859
Total operating revenues	<u>16,914,559</u>	<u>6,536,770</u>	<u>20,220,460</u>	<u>3,138,830</u>	<u>2,267,240</u>	<u>49,077,859</u>
Operating expenses						
Personal services	2,924,880	648,254	1,179,036	-	-	4,752,170
Materials & supplies	3,692,831	172,330	30,469	36,558	-	3,932,188
Depreciation & amortization	6,124,238	-	-	3,445,268	-	9,569,506
Other operating expenses	1,573,566	4,745,556	19,348,013	-	2,139,784	27,806,919
Total operating expenses	<u>14,315,515</u>	<u>5,566,140</u>	<u>20,557,518</u>	<u>3,481,826</u>	<u>2,139,784</u>	<u>46,060,783</u>
Operating income (loss)	<u>2,599,044</u>	<u>970,630</u>	<u>(337,058)</u>	<u>(342,996)</u>	<u>127,456</u>	<u>3,017,076</u>
Nonoperating revenue (expense)						
Investment income (loss)	130,111	29,851	8,139	30,915	172	199,188
Intergovernmental revenue	-	-	-	-	-	-
Other revenues (expenses)	387,891	371,010	99,415	(168,370)	-	689,946
Total nonoperating revenue (expense)	<u>518,002</u>	<u>400,861</u>	<u>107,554</u>	<u>(137,455)</u>	<u>172</u>	<u>889,134</u>
Income (loss) before transfers and capital contributions	3,117,046	1,371,491	(229,504)	(480,451)	127,628	3,906,210
Transfers in	925,039	4,124	631,340	1,437,683	299,920	3,298,106
Transfers out	(112,143)	(180)	-	(1,344,233)	-	(1,456,556)
Capital contributions	135,205	-	-	406,518	-	541,723
Change in net position	4,065,147	1,375,435	401,836	19,517	427,548	6,289,483
Total net position, beginning	<u>83,305,520</u>	<u>18,489,769</u>	<u>21,574,885</u>	<u>34,115,854</u>	<u>2,671,389</u>	<u>160,157,417</u>
Total net position, ending	<u>\$ 87,370,667</u>	<u>\$ 19,865,204</u>	<u>\$ 21,976,721</u>	<u>\$ 34,135,371</u>	<u>\$ 3,098,937</u>	<u>\$ 166,446,900</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Operating activities						
Receipts from interfund services provided	\$ 16,886,580	\$ 6,573,399	\$ 19,582,649	\$ 3,138,830	\$ 2,295,590	\$ 48,477,048
Cash paid to suppliers	(5,597,810)	(4,917,886)	(30,469)	(36,558)	-	(10,582,723)
Cash paid to employees	(2,953,672)	(701,498)	(1,155,790)	-	-	(4,810,960)
Cash paid for interfund services used	-	(205,929)	(527,918)	-	(2,095,054)	(2,828,901)
Payments of claims and insurance	-	-	(19,339,843)	-	-	(19,339,843)
Net cash provided by (used in) operating activities	<u>8,335,098</u>	<u>748,086</u>	<u>(1,471,371)</u>	<u>3,102,272</u>	<u>200,536</u>	<u>10,914,621</u>
Noncapital financing activities						
Transfers from other funds	(1,722,934)	5,000	-	-	299,920	(1,418,014)
Transfers to other funds	-	-	(276,568)	(69,050)	-	(345,618)
Tax and intergovernmental revenues	<u>387,891</u>	<u>371,010</u>	<u>99,415</u>	<u>(168,370)</u>	<u>-</u>	<u>689,946</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,335,043)</u>	<u>376,010</u>	<u>(177,153)</u>	<u>(237,420)</u>	<u>299,920</u>	<u>(1,073,686)</u>
Capital and related financing activities						
Acquisition and construction of capital assets	(8,629,867)	-	-	(3,128,192)	-	(11,758,059)
Capital contributions	<u>135,205</u>	<u>-</u>	<u>-</u>	<u>406,518</u>	<u>-</u>	<u>541,723</u>
Net cash provided by (used in) capital and related financing activities	<u>(8,494,662)</u>	<u>-</u>	<u>-</u>	<u>(2,721,674)</u>	<u>-</u>	<u>(11,216,336)</u>
Investing activities						
Sales/(purchases) of investments, net	(14,057)	(638,946)	1,855,782	714,461	61,535	1,978,775
Investment earnings	130,111	29,851	8,139	30,915	172	199,188
Net change in equity investment in joint venture	-	-	-	-	(39,123)	(39,123)
Net cash provided by (used in) investing activities	<u>116,054</u>	<u>(609,095)</u>	<u>1,863,921</u>	<u>745,376</u>	<u>22,584</u>	<u>2,138,840</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,378,553)</u>	<u>515,001</u>	<u>215,397</u>	<u>888,554</u>	<u>523,040</u>	<u>763,439</u>
Cash and cash equivalents						
Beginning of year	<u>2,267,338</u>	<u>41</u>	<u>107,893</u>	<u>4,508</u>	<u>1,196,883</u>	<u>3,576,663</u>
End of year	<u>\$ 888,785</u>	<u>\$ 515,042</u>	<u>\$ 323,290</u>	<u>\$ 893,062</u>	<u>\$ 1,719,923</u>	<u>\$ 4,340,102</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 2,599,044	\$ 970,630	\$ (337,058)	\$ (342,996)	\$ 127,456	\$ 3,017,076
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	6,124,238	-	-	3,445,268	-	9,569,506
Pension expense (income)	(41,049)	(59,353)	23,246	-	-	(77,156)
Change in assets and liabilities						
(Increase) decrease in receivables	(27,979)	36,629	(637,811)	-	28,350	(600,811)
(Increase) decrease in inventories	(82,424)	-	-	-	-	(82,424)
Increase (decrease) in accounts payable	(248,989)	(205,929)	(527,918)	-	44,730	(938,106)
Increase (decrease) in accrued expenses	12,257	6,109	8,170	-	-	26,536
Increase (decrease) in customer deposits	-	-	-	-	-	-
Increase (decrease) in estimated liability for litigation and claims	-	-	-	-	-	-
Total adjustments	<u>5,736,054</u>	<u>(222,544)</u>	<u>(1,134,313)</u>	<u>3,445,268</u>	<u>73,080</u>	<u>7,897,545</u>
Net cash provided by (used in) operating activities	<u>\$ 8,335,098</u>	<u>\$ 748,086</u>	<u>\$ (1,471,371)</u>	<u>\$ 3,102,272</u>	<u>\$ 200,536</u>	<u>\$ 10,914,621</u>

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

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Fiduciary Funds

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

Custodial Funds

City Choice Plus Fund

To account for funds deducted from employee's pay pursuant to IRS Section 125 regulations to be applied to eligible health related expenses incurred by the employees.

Employee Health Savings

To account for City contributions to a wellness incentive type fund that may be utilized by the employees for eligible health related expenses.

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	<u>City Choice Plus</u>	<u>Employee Health Savings Fund</u>	<u>Total Custodial Funds</u>
Assets			
Cash	\$ 100	\$ 1,177,127	\$ 1,177,227
State & municipal government securities	138,864	-	138,864
Accounts receivable	262,285	-	262,285
Total current assets	<u>\$ 401,249</u>	<u>\$ 1,177,127</u>	<u>\$ 1,578,376</u>
Net Position			
Health care claims	<u>\$ 401,249</u>	<u>\$ 1,177,127</u>	<u>\$ 1,578,376</u>
Total net position	<u>\$ 401,249</u>	<u>\$ 1,177,127</u>	<u>\$ 1,578,376</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>City Choice Plus</u>	<u>Employee Health Savings Fund</u>	<u>Total Custodial Funds</u>
Additions			
Employer contributions	617,169	628,039	1,245,208
Total contributions	<u>617,169</u>	<u>628,039</u>	<u>1,245,208</u>
Total additions	<u>617,169</u>	<u>628,039</u>	<u>1,245,208</u>
Deductions			
Benefits paid	610,521	555,152	1,165,673
Total deductions	<u>610,521</u>	<u>555,152</u>	<u>1,165,673</u>
Change in net position	6,648	72,887	79,535
Total net position - beginning, as restated	<u>394,601</u>	<u>1,104,240</u>	<u>1,498,841</u>
Total net position - ending	<u>\$ 401,249</u>	<u>\$ 1,177,127</u>	<u>\$ 1,578,376</u>

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

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COMPONENT UNIT

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
JUNE 30, 2021

Assets

Current assets:

Cash & temporary investments	\$	3,801,948
Investments		1,297,268
Accounts receivable		16,774,525
Inventories		1,576,184
Total current assets		23,449,925

Noncurrent assets:

Land and site improvements		2,199,236
Buildings and improvements		32,879,623
Equipment, furniture and fixtures		43,553,790
Infrastructure and site improvements		557,914
Less: accumulated depreciation		(41,477,445)
Total capital assets (net of accumulated depreciation)		37,713,118
Total assets		61,163,043

Liabilities

Current liabilities:

Accounts payable		1,508,814
Accrued liabilities		476,738
Due to primary government		12,646,944
Total liabilities		14,632,496

Deferred inflows of resources

Deferred revenue		2,273,739
Total deferred inflows of resources		2,273,739

Net position

Net investment in capital assets		37,713,118
Unrestricted		6,543,690
Total net position		\$ 44,256,808

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 KNOXVILLE AREA TRANSIT - COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2021

Operating revenues	
Charges for services	\$ 5,096,673
Total operating revenues	<u>5,096,673</u>
Operating expenses	
Personal services	16,985,927
Materials & supplies	7,077,339
Depreciation & amortization	4,271,210
Other operating expenses	<u>6,810,719</u>
Total expenses	<u>35,145,195</u>
Operating income (loss)	<u>(30,048,522)</u>
Nonoperating revenue (expense)	
Intergovernmental revenue	29,241,579
Other expenses	<u>(1,940,630)</u>
Total nonoperating revenue (expense)	<u>27,300,949</u>
Change in net position	(2,747,573)
Total net position, beginning	<u>47,004,381</u>
Total net position, ending	<u>\$ 44,256,808</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2021

Operating activities	
Cash received from customers and users	\$ 5,096,673
Cash paid to suppliers	(13,296,382)
Cash paid to employees	<u>(16,914,645)</u>
Net cash provided by (used in) operating activities	<u>(25,114,354)</u>
Noncapital financing activities	
Transfers from primary government	7,371,744
Tax and intergovernmental revenues	<u>23,754,996</u>
Net cash provided by (used in) noncapital financing activities	<u>31,126,740</u>
Capital and related financing activities	
Acquisition of capital assets	<u>(3,296,322)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,296,322)</u>
Investing activities	
Sales/(purchases) of investments, net	<u>745,228</u>
Net cash provided by (used in) investing activities	<u>745,228</u>
Net increase (decrease) in cash and cash equivalents	<u>3,461,292</u>
Cash and cash equivalents	
Beginning of year	<u>340,656</u>
End of year	<u>\$ 3,801,948</u>

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF CASH FLOWS - Continued
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2021

**Reconciliation of operating income (loss)
to net cash provided by
(used in) operating activities**

Operating income (loss)	\$ (30,048,522)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,271,210
Change in assets and liabilities	
(Increase) decrease in inventories	(135,411)
Increase (decrease) in accounts payable	727,087
Increase (decrease) in accrued expenses	71,282
Total adjustments	<u>4,934,168</u>
Net cash provided by (used in) operating activities	<u>\$ (25,114,354)</u>

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

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STATISTICAL SECTION

This part of the City of Knoxville's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends	
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
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Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the City's most significant revenue source, the property tax.</i>	
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Property Tax Rates - Direct and Overlapping Governments	137
Principal Property Taxpayers	138
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<i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
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<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	
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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Invested in capital assets, net of related debt	\$ 220,585	\$ 223,777	\$ 231,666	\$ 225,581	\$ 261,956	\$ 298,791	\$ 305,396	\$ 342,292	\$ 369,211	\$ 326,384
Restricted	46,675	61,997	49,782	22,870	15,759	12,817	11,984	12,630	13,245	14,068
Unrestricted	237,088	243,367	260,379	162,267	186,985	203,126	209,403	199,406	183,950	250,947
Total Governmental Activities Net Position	\$ 504,348	\$ 529,141	\$ 541,827	\$ 410,718	\$ 464,700	\$ 514,734	\$ 526,783	\$ 554,328	\$ 566,406	\$ 591,399
Business-type Activities										
Invested in capital assets, net of related debt	\$ 24,881	\$ 28,494	\$ 29,159	\$ 30,011	\$ 31,484	\$ 35,332	\$ 37,202	\$ 54,237	\$ 61,932	\$ 62,967
Unrestricted	38,728	39,323	40,223	42,012	48,363	51,795	70,336	67,766	70,608	71,926
Total Business-type Activities Net Position	\$ 63,609	\$ 67,817	\$ 69,382	\$ 72,023	\$ 79,847	\$ 87,127	\$ 107,538	\$ 122,003	\$ 132,540	\$ 134,893
Primary Government										
Invested in capital assets, net of related debt	\$ 245,466	\$ 252,271	\$ 260,825	\$ 255,592	\$ 293,440	\$ 334,123	\$ 342,598	\$ 396,529	\$ 431,143	\$ 389,351
Restricted	46,675	61,997	49,782	22,870	15,759	12,817	11,984	12,630	13,245	14,068
Unrestricted	275,816	282,690	300,602	204,279	235,348	254,921	279,739	267,172	254,558	322,873
Total Primary Government Net Position	\$ 567,957	\$ 596,958	\$ 611,209	\$ 482,741	\$ 544,547	\$ 601,861	\$ 634,321	\$ 676,331	\$ 698,946	\$ 726,292

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental Activities:										
General government	\$ 34,882	\$ 23,591	\$ 32,702	\$ 16,347	\$ 20,697	\$ 24,653	\$ 44,384	\$ 47,664	\$ 56,493	\$ 56,147
Public safety	85,416	88,381	89,816	91,659	95,864	100,752	95,748	98,472	109,806	112,691
Physical environment	48,046	49,230	51,368	49,559	51,100	54,041	53,452	53,906	55,246	56,076
Transportation	11,201	11,970	11,048	10,866	10,589	11,016	13,307	14,135	11,081	5,947
Economic Development	8,460	8,120	8,752	10,550	19,843	13,499	10,570	12,951	14,444	16,534
Parks & Recreation	11,827	10,195	10,345	10,723	9,586	9,936	11,474	11,799	12,979	12,490
Health & Sanitation	11,111	10,388	10,688	10,274	10,414	9,738	8,766	9,545	9,964	10,087
Interest on long-term debt	1,989	1,718	1,827	2,196	2,339	1,998	1,760	2,168	1,854	1,785
Total governmental activities expenses	<u>212,932</u>	<u>203,593</u>	<u>216,546</u>	<u>202,174</u>	<u>220,432</u>	<u>225,633</u>	<u>239,461</u>	<u>250,640</u>	<u>271,867</u>	<u>271,757</u>
Business-type Activities:										
Metro parking	1,625	1,184	5,689	2,721	2,372	3,475	5,364	4,087	5,231	4,788
Public assembly facilities	4,535	5,212	5,751	4,563	3,888	5,584	6,937	3,351	9,060	4,837
Knoxville Convention Center	19,013	17,081	16,716	17,530	16,909	17,735	19,549	18,482	19,402	14,968
Municipal Golf Courses	1,440	1,413	1,427	1,457	1,597	1,076	1,255	1,382	1,244	1,573
Total business-type activities	<u>26,613</u>	<u>24,890</u>	<u>29,583</u>	<u>26,271</u>	<u>24,766</u>	<u>27,870</u>	<u>33,105</u>	<u>27,302</u>	<u>34,937</u>	<u>26,166</u>
Total primary government	<u>\$ 239,545</u>	<u>\$ 228,483</u>	<u>\$ 246,129</u>	<u>\$ 228,445</u>	<u>\$ 245,198</u>	<u>\$ 253,503</u>	<u>\$ 272,566</u>	<u>\$ 277,942</u>	<u>\$ 306,804</u>	<u>\$ 297,923</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	\$ 817	\$ 860	\$ 2,339	\$ 1,923	\$ 1,726	\$ 1,259	\$ 1,228	\$ 1,298	\$ 975	\$ 1,145
Public safety	6,971	7,185	6,114	6,263	6,259	7,224	6,900	7,214	6,197	6,300
Physical environment	1,539	1,561	1,583	761	1,261	1,523	1,674	2,132	2,304	2,426
Transportation	640	551	635	729	630	406	443	484	347	354
Economic Development	428	260	355	578	172	408	144	283	99	522
Parks & recreation	531	494	583	630	642	669	754	735	472	402
Health & sanitation	40	38	36	41	33	40	36	38	47	51
Operating grants and contributions	10,088	7,517	8,409	7,710	7,893	9,103	6,632	5,754	5,915	8,332
Capital grants and contributions	3,318	3,556	4,693	6,658	11,573	14,262	7,608	7,852	8,406	14,262
Total governmental activities program revenues	<u>24,372</u>	<u>22,022</u>	<u>24,747</u>	<u>25,293</u>	<u>30,189</u>	<u>34,894</u>	<u>25,419</u>	<u>25,790</u>	<u>24,762</u>	<u>33,794</u>
Business-type Activities:										
Charges for Services:										
Metro parking	1,418	1,685	1,546	1,539	1,796	2,182	4,014	4,295	3,945	3,339
Public assembly facilities	2,090	1,954	1,952	1,786	1,630	2,993	3,579	3,658	2,788	1,237
Knoxville Convention Center	4,962	5,386	4,755	4,438	4,651	5,420	5,436	5,722	4,645	1,405
Municipal Golf Courses	1,332	1,193	1,317	1,082	1,048	1,043	982	956	1,110	1,469
Operating grants and contributions	1,750	1,562	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total business-type activities program revenues	<u>11,552</u>	<u>11,780</u>	<u>11,070</u>	<u>10,345</u>	<u>10,625</u>	<u>13,138</u>	<u>15,511</u>	<u>16,131</u>	<u>13,988</u>	<u>8,950</u>
Total primary government program revenues	<u>\$ 35,924</u>	<u>\$ 33,802</u>	<u>\$ 35,817</u>	<u>\$ 35,638</u>	<u>\$ 40,814</u>	<u>\$ 48,032</u>	<u>\$ 40,930</u>	<u>\$ 41,921</u>	<u>\$ 38,750</u>	<u>\$ 42,744</u>
Net expense:										
Governmental Activities	\$ 188,560	\$ 181,571	\$ 191,799	\$ 176,881	\$ 190,243	\$ 190,739	\$ 214,042	\$ 224,850	\$ 247,105	\$ 237,963
Business-type Activities	15,061	13,110	18,513	15,926	14,141	14,732	17,594	11,171	20,949	17,216
Total primary government net expense	<u>\$ 203,621</u>	<u>\$ 194,681</u>	<u>\$ 210,312</u>	<u>\$ 192,807</u>	<u>\$ 204,384</u>	<u>\$ 205,471</u>	<u>\$ 231,636</u>	<u>\$ 236,021</u>	<u>\$ 268,054</u>	<u>\$ 255,179</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	\$ 121,124	\$ 121,922	\$ 123,072	\$ 140,772	\$ 144,263	\$ 145,721	\$ 148,287	\$ 150,054	\$ 153,503	\$ 153,933
Intergovernmental revenues	60,798	68,337	65,910	67,588	76,727	74,157	77,633	72,959	73,257	85,534
Other taxes	19,968	20,763	20,053	20,844	21,986	22,159	23,153	23,752	25,425	26,442
Other revenue	2,296	4,465	4,062	3,941	8,440	4,866	7,470	13,913	13,383	3,908
Transfers	(8,148)	(9,123)	(8,612)	(9,653)	(7,191)	(6,129)	(19,855)	(8,284)	(6,386)	(6,861)
Total governmental activities	<u>196,038</u>	<u>206,364</u>	<u>204,485</u>	<u>223,492</u>	<u>244,225</u>	<u>240,774</u>	<u>236,688</u>	<u>252,394</u>	<u>259,182</u>	<u>262,956</u>
Business-type Activities:										
Intergovernmental revenues	4,689	3,198	4,888	3,451	7,042	6,983	9,779	8,087	17,685	7,879
Other taxes	5,420	5,211	5,395	5,921	6,903	6,756	7,009	7,195	6,101	4,315
Other revenue	627	570	1,182	1,352	829	2,143	1,363	2,070	1,314	512
Transfers	8,148	9,123	8,612	9,653	7,191	6,129	19,855	8,284	6,386	6,861
Total business-type activities	<u>18,884</u>	<u>18,102</u>	<u>20,077</u>	<u>20,377</u>	<u>21,965</u>	<u>22,011</u>	<u>38,006</u>	<u>25,636</u>	<u>31,486</u>	<u>19,567</u>
Total primary government	<u>214,922</u>	<u>224,466</u>	<u>224,562</u>	<u>243,869</u>	<u>266,190</u>	<u>262,785</u>	<u>274,694</u>	<u>278,030</u>	<u>290,668</u>	<u>282,523</u>
Changes in Net Position										
Governmental activities	\$ 7,478	\$ 24,793	\$ 12,686	\$ 46,611	\$ 53,982	\$ 50,035	\$ 22,646	\$ 27,544	\$ 12,077	\$ 24,993
Business-type activities	3,823	4,992	1,564	4,451	7,824	7,279	20,412	14,465	10,537	2,351
Total primary government	<u>\$ 11,301</u>	<u>\$ 29,785</u>	<u>\$ 14,250</u>	<u>\$ 51,062</u>	<u>\$ 61,806</u>	<u>\$ 57,314</u>	<u>\$ 43,058</u>	<u>\$ 42,009</u>	<u>\$ 22,614</u>	<u>\$ 27,344</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Reserved										
Unreserved										
Nonspendable	\$ 385	\$ 300	\$ 324	\$ 443	\$ 364	\$ 353	\$ 305	\$ 301	\$ 366	\$ 418
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	39,136	36,771	40,232	41,469	42,650	48,086	45,875	46,396	47,191	51,468
Assigned	311	2,648	2,482	3,353	4,038	20,143	11,778	12,699	21,016	35,875
Unassigned	19,892	30,436	27,958	30,508	38,458	27,757	30,557	27,489	20,052	21,141
Total general fund	<u>\$ 59,724</u>	<u>\$ 70,155</u>	<u>\$ 70,996</u>	<u>\$ 75,773</u>	<u>\$ 85,510</u>	<u>\$ 96,339</u>	<u>\$ 88,515</u>	<u>\$ 86,885</u>	<u>\$ 88,625</u>	<u>\$ 108,902</u>
All other governmental funds										
Nonspendable/Restricted (Reserved/Designated)										
Unreserved, reported in:										
Special Revenue funds										
Debt Service funds										
Capital Projects funds										
Nonspendable	\$ 739	\$ 737	\$ 673	\$ 1,076	\$ 1,122	\$ 856	\$ 1,185	\$ 1,294	\$ 1,131	\$ 1,158
Restricted	60,074	61,133	63,370	36,908	24,592	12,193	11,361	12,006	12,622	13,841
Committed	84,068	89,885	93,181	150,904	150,342	133,869	172,508	157,838	146,152	202,795
Assigned	-	-	-	-	-	16,883	579	651	737	653
Unassigned	-	-	-	-	-	-	-	-	-	(433)
Total all other governmental funds	<u>\$ 144,881</u>	<u>\$ 151,755</u>	<u>\$ 157,224</u>	<u>\$ 188,888</u>	<u>\$ 176,056</u>	<u>\$ 163,801</u>	<u>\$ 185,633</u>	<u>\$ 171,789</u>	<u>\$ 160,642</u>	<u>\$ 218,014</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes, assessments, interest & penalties	\$ 180,543	\$ 183,445	\$ 184,128	\$ 204,089	\$ 212,108	\$ 212,992	\$ 217,761	\$ 223,517	\$ 225,188	\$ 234,359
Licenses, permits & inspection charges	1,975	1,994	2,027	2,266	2,656	3,005	3,052	3,331	3,297	3,300
Intergovernmental revenue	30,040	37,359	34,586	36,125	48,074	45,811	43,520	34,889	35,970	49,044
Charges for services	6,502	6,528	6,263	7,089	6,118	6,728	5,013	5,548	6,305	5,919
Fines & forfeitures	3,637	4,010	3,256	3,247	3,147	3,010	4,190	4,156	3,056	2,738
Other	5,370	5,170	5,524	5,073	8,354	8,350	6,665	12,875	12,565	8,090
Total revenues	228,067	238,506	235,784	257,889	280,457	279,896	280,201	284,316	286,381	303,450
Expenditures										
Current:										
General government	15,983	15,701	16,242	17,000	17,308	17,189	35,610	37,487	55,933	63,232
Public safety	85,311	86,986	89,224	99,871	102,155	103,510	95,559	100,214	109,806	104,511
Physical environment	59,861	58,565	61,475	61,478	63,178	63,287	63,059	64,104	37,098	36,694
Parks & recreation	7,722	7,621	7,976	8,422	8,652	8,721	9,001	9,327	12,979	9,189
Economic development	23,043	12,961	11,896	11,994	22,549	16,902	13,052	15,535	14,444	15,018
Other	486	91	68	248	-	-	-	-	-	-
Capital Outlay	17,497	19,253	25,892	36,163	51,710	53,188	36,657	54,810	48,307	44,296
Debt Service:										
Principal	4,853	5,413	5,291	5,384	6,141	4,998	4,742	6,237	6,506	40,811
Interest	2,116	1,730	1,745	2,136	2,328	2,039	1,789	2,092	1,882	1,709
Total expenditures	216,872	208,321	219,809	242,696	274,021	269,834	259,469	289,806	286,955	315,460
Excess of revenues over expenditures	11,195	30,185	15,975	15,193	6,436	10,062	20,732	(5,490)	(574)	(12,010)
Other Financing Sources (Uses)										
Net proceeds from issuance of debt	411	-	-	31,607	-	-	15,666	-	-	98,363
Transfers in	35,497	36,787	41,982	45,703	39,296	44,200	51,374	40,903	36,922	98,456
Transfers out	(47,607)	(49,667)	(51,648)	(56,061)	(48,827)	(55,688)	(73,764)	(50,887)	(45,755)	(107,159)
Total other financing sources (uses)	(11,699)	(12,880)	(9,666)	21,249	(9,531)	(11,488)	(6,724)	(9,984)	(8,833)	89,660
Net changes in fund balances	\$ (504)	\$ 17,305	\$ 6,309	\$ 36,442	\$ (3,095)	\$ (1,426)	\$ 14,008	\$ (15,474)	\$ (9,407)	\$ 77,650
Debt service as a percentage of noncapital	3.5%	3.8%	3.6%	3.6%	3.8%	3.2%	2.9%	3.5%	3.5%	15.7%

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

Fiscal Year	Real Property (1)					Assessed Taxable Value	Personal Property (1)		Public Utilities (2)		Total's		Direct Tax Rate	Assessed Value as a Percentage of Actual Value
	Estimated Actual Value:				Exempt Properties		Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value		
	Commercial	Industrial	Residential & Farm	Total's										
2012	5,067,449	185,806	6,677,256	365,691	12,296,202	3,770,616	1,071,108	321,529	286,778	157,728	13,654,088	4,249,873	2.4600	31%
2013	5,254,329	186,137	6,695,127	370,017	12,505,610	3,841,101	995,924	299,141	300,668	165,368	13,802,202	4,305,610	2.4600	31%
2014	5,657,886	215,437	6,679,425	465,822	13,018,570	4,002,458	1,155,830	346,877	283,414	155,878	14,457,814	4,505,213	2.3857	31%
2015	5,732,339	225,073	6,714,112	467,659	13,139,183	4,045,652	1,234,486	370,507	306,497	168,573	14,680,166	4,584,732	2.7257	31%
2016	5,818,821	229,219	6,752,219	493,767	13,294,026	4,092,562	1,192,171	357,705	317,769	174,773	14,803,966	4,625,040	2.7257	31%
2017	5,889,689	220,653	6,802,982	511,324	13,424,648	4,112,828	1,291,255	387,395	310,743	170,908	15,026,646	4,670,931	2.7257	31%
2018	6,845,220	247,220	7,472,331	810,146	15,374,917	4,687,158	1,388,707	410,613	310,743	170,908	17,054,367	5,268,679	2.4638	31%
2019	6,853,561	240,152	7,571,877	960,215	15,625,805	4,701,376	1,437,430	400,870	296,424	163,033	17,359,659	5,265,279	2.4638	30%
2020	6,878,796	238,693	7,885,172	1,083,122	16,085,783	4,758,127	1,336,231	400,870	296,424	163,033	17,718,438	5,322,030	2.4638	30%
2021	6,916,742	346,420	8,024,733	1,138,626	16,426,521	4,838,702	1,358,492	407,699	259,370	142,654	18,044,383	5,389,055	2.4638	30%

Note:

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

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

Fiscal Year	City of Knoxville Tax Rate Distribution			Overlapping Knox County Tax Rate Distribution				Total Direct & Overlapping Rates
	General Operations	Debt Service	Total	General Operations	Debt Service	School Construction	Total	
2012	1.8600	0.6000	3.0600	0.9700	0.3100	1.0800	2.3600	5.4200
2013	1.8600	0.6000	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2014	1.8523	0.5334	2.3857	0.9700	0.3100	1.0800	2.3600	4.7457
2015	2.1923	0.5334	2.7257	0.9600	0.4800	0.8800	2.3200	5.0457
2016	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2017	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2018	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2019	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2020	2.0117	0.4521	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2021	2.0117	0.4521	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838

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

Taxpayer	Type of Business	2021			2012		
		Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value
Sams / Walmart	Retail	\$ 41,697	1	0.77%	\$ 30,228	5	0.71%
Fort Sanders Regional Medical Center	Medical Services	39,358	2	0.73%	43,895	1	1.03%
First American National Bank	Financial Services	36,885	9	0.68%	19,631	10	0.46%
Pilot Corp.	Oil	36,768	3	0.68%	27,144	7	0.64%
Scripps	Media	35,784	4	0.66%	32,991	3	0.78%
West Town Mall	Retail	34,006	6	0.63%	37,204	2	0.88%
AT&T Telecommunications	Telecommunications	32,407	7	0.60%	19,492	11	0.46%
Hart TC I-II LLC	Property Management	31,894	5	0.59%	25,476	8	0.60%
Kroger	Retail / Grocery	28,444	8	0.53%	\$ 24,725	9	0.58%
Comcast Cablevision	Media	21,810	10	0.40%	14,017		0.33%
Riverwalk Investors LLC	Property Management						
Sachchidanand	Hotel/Lodging						
Bellsouth Telecommunications	Telecommunications			0.00%	32,272	4	0.76%
Metro Knoxville HMA (Formerly St. Marys)	Medical Services			0.00%	29,354	6	0.69%
		<u>\$ 339,053</u>		<u>6.27%</u>	<u>\$ 336,429</u>		<u>7.92%</u>

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

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2012	103,350	99,086	95.87%	4,538	103,624	100.26%
2013	104,330	102,045	97.81%	2,917	104,962	100.61%
2014	107,481	102,862	95.70%	4,186	107,048	99.60%
2015	124,620	118,246	94.89%	4,129	122,375	98.20%
2016	125,854	120,707	95.91%	4,296	125,003	99.32%
2017	128,020	121,450	94.87%	3,256	124,706	97.41%
2018	130,264	123,792	95.03%	3,605	127,397	97.80%
2019	130,649	125,780	96.27%	3,709	129,489	99.11%
2020	131,124	124,047	94.60%	4,894	128,941	98.34%
2021	132,776	127,205	95.80%	-	127,205	95.80%

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

Governmental Activities

Fiscal Year	General Obligation Bonds			Other Governmental Activities Debt		
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	HUD Section 108 Note	Capital Lease	Debt Participation Agreement
2012	50,562	6,219	56,781	-	-	-
2013	50,823	5,673	56,496	-	-	-
2014	39,858	5,131	44,989	-	-	-
2015	65,555	5,089	70,644	-	-	-
2016	60,239	4,520	64,759	825	-	-
2017	54,417	3,951	58,368	2,900	-	-
2018	64,299	4,422	68,721	2,900	-	-
2019	58,062	3,749	61,811	2,900	-	-
2020	51,556	3,076	54,632	2,730	-	-
2021	92,125	17,411	109,536	2,560	-	-

Business Type Activities

Fiscal Year	General Obligation Bonds			Other Business Type Activities Debt			Total Primary Government ⁽¹⁾	% of Personal Income ⁽²⁾	Per Capita ⁽²⁾
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	Golf Course Equipment Note	Capital Lease				
2012	127,828	971	128,799	65	102	185,747	5.30%	1,027.58	
2013	125,378	1,619	126,997	-	-	183,493	5.55%	1,015.11	
2014	119,577	1,483	121,060	-	-	166,049	4.27%	906.03	
2015	115,239	1,347	116,586	-	-	187,230	4.51%	1,021.61	
2016	110,706	1,211	111,917	-	-	177,501	4.13%	957.96	
2017	105,548	1,075	106,623	-	-	167,891	3.74%	901.48	
2018	100,190	939	101,129	-	-	172,750	3.73%	922.09	
2019	94,633	803	95,436	-	-	160,147	3.46%	854.12	
2020	88,794	667	89,461	-	-	146,823	2.95%	782.63	
2021	80,975	2,354	83,329	-	-	195,425	3.87%	1,039.02	

Note:

(1) Total Outstanding Debt is not reduced by available debt service reserves.

(2) Personal Income and Population estimated as reliable data is not available.

**CITY OF KNOXVILLE, TENNESSEE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS**

(unaudited - amounts expressed in thousands, except for per capita amounts)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in		Percentage of Estimated Taxable Value of Property	Per Capita
		Debt Service Fund	Total		
2012	194,452	40,732	153,720	3.62%	850.40
2013	176,201	45,811	130,390	3.03%	721.34
2014	166,049	46,833	119,216	2.65%	650.49
2015	180,795	49,746	131,049	2.86%	715.06
2016	170,120	50,252	119,868	2.59%	646.92
2017	159,965	50,707	109,258	2.34%	586.65
2018	164,490	50,772	113,718	2.16%	606.99
2019	152,695	53,178	99,517	1.89%	530.76
2020	140,350	57,229	83,121	1.56%	443.07
2021	173,100	66,077	107,023	1.99%	569.01

**CITY OF KNOXVILLE, TENNESSEE
LEGAL DEBT MARGIN INFORMATION**

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

**PLEDGED-REVENUE COVERAGE
PRIMARY GOVERNMENT**

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

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses (net of depreciation and interest)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Revenue Bond Coverage</u>
2012	695,034	589,320	105,714	54,859	1.93
2013	744,281	628,079	116,202	55,257	2.10
2014	752,561	629,663	122,898	61,316	2.00
2014	752,561	629,663	122,898	61,316	2.00
2015	764,621	630,919	133,702	62,541	2.14
2016	734,750	594,027	140,723	67,518	2.08
2017	771,636	624,645	146,991	71,785	2.05
2018	819,607	635,579	184,028	75,488	2.44
2019	822,016	640,130	181,886	80,625	2.26
2020	808,491	614,902	193,589	86,233	2.24
2021	823,128	611,783	211,345	88,313	2.39

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

<u>Fiscal Year</u>	<u>Gross Revenue (net of grant receipts)</u>	<u>Expenses (net of depreciation and interest)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Revenue Bond Coverage</u>
2012	29,263	18,588	10,675	6,862	1.56
2013	28,205	18,402	9,803	6,645	1.48
2014	30,080	18,785	11,295	6,378	1.77
2015	31,119	19,612	11,507	6,368	1.81
2016	32,147	20,192	11,955	6,477	1.85
2017	33,240	21,329	11,911	6,799	1.75
2018	35,416	21,709	13,707	6,907	1.98
2019	39,944	23,615	16,329	7,104	2.30
2020	39,944	23,615	16,329	7,368	2.22
2021	42,024	22,750	19,274	2,342	8.23

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2021
(unaudited - amounts expressed in thousands)

Governmental Unit	Net Direct Outstanding Debt ⁽¹⁾	Percentage Applicable to Knoxville ⁽²⁾	Amount Applicable to Knoxville
Direct Debt:			
City of Knoxville	\$ 112,096	100.00%	\$ 112,096
Overlapping Debt:			
Knox County	410,399	40.53%	166,335
Knox County Schools	291,523	40.53%	118,154
Total Overlapping Debt	701,922		284,489
 Total Direct and Overlapping Debt	 \$ 814,018		 \$ 396,585

Note:

(1) Net direct debt excludes proprietary fund general obligation bonds.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's assessed taxable value that is

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

Fiscal Year	Population ⁽¹⁾	Personal Income (In \$1,000,000) ⁽²⁾ (MSA)	Per Capita Income ⁽²⁾ (MSA)	Median Age ⁽¹⁾	Education Level - Population 25 & Over ⁽¹⁾				School Enrollment ⁽³⁾ (Knox County)	Average Unemployment Rate ⁽⁴⁾ (MSA)
					High School Graduate or higher	Some College or more	Bachelor's Degree or higher	Master's or Professional Degree		
2012	182,196	31,807.9	38,555	34.9	89.9%	62.4%	30.2%	11.2%	57,812	7.1%
2013	183,261	31,847.1	38,416	32.9	89.3%	60.9%	30.6%	11.7%	58,940	7.2%
2014	184,292	33,242.8	39,911	32.3	84.6%	54.4%	28.9%	10.4%	59,232	6.1%
2015	185,291	34,986.4	41,759	33.8	87.0%	55.5%	29.9%	11.4%	59,516	5.2%
2016	186,239	36,023.8	42,635	32.8	87.8%	57.6%	29.3%	11.4%	60,313	4.4%
2017	187,347	37,741.0	44,212	33.0	88.2%	55.6%	30.5%	11.6%	58,901	3.6%
2018	187,514	39,926.8	46,360	32.6	89.8%	57.9%	30.3%	12.3%	59,364	3.3%
2019	187,603	41,323.6	48,179	33.1	88.1%	59.7%	31.0%	12.2%	59,224	4.9%
2020	190,740	44,380.3	50,540	32.7	89.4%	58.8%	32.4%	12.5%	61,545	6.2%
2021(5)										

Data Sources

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

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

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

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

(5) Data not yet available at this time

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

Employer's Name	2021			2012		
	Number of Employees (1)	Rank	Percentage of Total Area Employment	Number of Employees	Rank	Percentage of Total Area Employment
U.S. Department of Energy (Oak Ridge/Y-12)	17,079	1	3.95%			
Covenant Health	11,060	2	2.56%	9,494	1	4.25%
Knox County Schools	9,515	3	2.20%	6,891	2	3.09%
The University of Tennessee, Knoxville	8,959	4	2.07%	6,400	3	2.87%
Wal-Mart Stores, Inc.	6,863	5	1.59%	4,668	4	2.09%
University of Tennessee Medical Center	5,137	6	1.19%	3,942	5	1.77%
The Dollywood Company	4,500	7	1.04%			
Clayton Homes	4,262	8	0.99%			
DENSO Manufacturing Tennessee, Inc.	4,200	9	0.97%			
K-VA-T Food	3,398	10	0.79%	3,924	6	
Tennova Healthcare				3,857	7	
Kroger Co						
Blount Memorial Hospital						
City of Knoxville				2,811	10	1.26%
Knox County Government				2,998	9	1.34%
Sea Ray Boats, Inc.						
Aluminum Company of America (ALCOA)						
State of Tennessee, Regional Offices				3,528	8	1.58%
Total Knoxville MSA Laborforce (2)	432,515			223,229		

(1) Source: East Tennessee Economic Development Agency, Largest Employers in the Knoxville Area (**Metropolitan Statistical Area**)

(2) Source: Federal Reserve Bank of St. Louis, Civilian Labor Force in Knoxville, TN (**Metropolitan Statistical Area**)

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

Department	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	26.0	30.5	30.5	30.5	31.5	33.5	35.5	35.5	39.5	42.5
Finance	51.0	51.5	48.5	49.0	49.0	49.0	50.0	50.0	45.0	41.0
Employee Benefits & Risk Management	-	-	-	-	-	-	-	13.0	13.0	13.0
Information Systems	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	29.0	29.0
Public Works	-	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Engineering	87.5	88.5	89.0	91.5	92.5	92.5	92.0	92.0	93.0	94.0
Fleet Services	55.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	55.0	54.0
Inspections	29.0	29.0	29.0	29.0	29.0	40.0	40.0	40.0	39.0	40.0
Emergency Management	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0
Public Services	305.0	305.0	305.0	305.0	305.0	292.0	292.0	292.0	292.0	291.0
Community Development	23.5	23.5	23.5	21.5	21.5	21.5	20.0	20.0	20.0	21.0
Recreation	54.0	53.0	52.5	51.5	52.0	51.0	51.0	51.0	50.0	50.0
Law	13.0	12.5	19.0	21.0	21.0	21.0	21.0	13.0	13.0	13.0
Police										
Sworn	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0
Civilian	109.0	109.0	109.0	109.0	109.0	109.0	109.0	105.0	105.0	107.0
Subtotal	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>521.0</u>	<u>521.0</u>	<u>523.0</u>
Fire										
Sworn	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0
Civilian	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Subtotal	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>
Legislative	7.5	7.5	7.5	7.5	7.5	8.0	8.0	7.5	7.5	7.5
City Court	13.5	14.5	14.5	14.5	14.5	14.5	14.0	14.0	14.5	14.5
Civil Service	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	6.0
Human Resources	-	-	-	-	-	-	-	-	-	6.0
Public Assembly Facilities	36.0	36.0	36.0	34.5	34.5	-	-	-	-	-
GRAND TOTAL	<u><u>1,608.0</u></u>	<u><u>1,612.5</u></u>	<u><u>1,616.0</u></u>	<u><u>1,615.5</u></u>	<u><u>1,618.0</u></u>	<u><u>1,582.5</u></u>	<u><u>1,583.5</u></u>	<u><u>1,584.5</u></u>	<u><u>1,582.5</u></u>	<u><u>1,588.5</u></u>

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

Department	Fiscal Year									
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Public Safety										
Police										
Arrests	15,898	14,376	11,484	11,900	12,453	10,604	10,691	10,425	8,558	8,230
Citations	107,501	105,635	96,147	88,731	68,374	49,585	45,462	54,577	38,217	22,916
Fire										
Fire Inspections	3,518	4,547	4,144	3,968	3,162	3,366	3,438	2,707	2,264	1,526
Alarms Attended	20,688	21,227	21,644	20,788	22,346	21,647	14,107	25,166	24,110	21,184
First Responder Calls	10,954	10,816	10,546	9,214	10,307	9,573	10,623	10,613	7,242	7,997
Engineering										
Miles of Streets Resurfaced	48	55	46	43	40	59	50	58	38	24
Parks & Recreation										
Recreation Center Participants	551,101	527,224	495,231	472,613	480,993	496,683	440,977	417,903	290,231	166,953
Service										
Pothole Repairs (by tons of asphalt)	398	430	357	204	197	480	945	1,102	621	797

Sources: Various city departments

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

Department	Fiscal Year									
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Public Safety										
Safety Building - Police	1	1	1	1	1	1	1	1	1	1
Fire Halls	18	19	19	19	19	19	19	19	19	19
Operations & Engineering										
Street Lights	29,711	30,145	30,211	30,232	30,250	30,299	30,314	30,159	29,757	28,574
Miles of Streets Maintained	1,277	1,278	1,178	1,179	1,179	1,175	1,175	1,174	1,174	1,174
Parks & Recreation										
Recreation Centers	12	12	12	12	14	16	16	18	18	18
Parks	81	82	82	81	81	93	94	94	94	95
Park Acreage	1,963	2,000	2,000	2,828	2,828	3,102	3,102	3,102	3,102	3,138
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	68	67	67	47	47	45	45	45	45	45
Miles of Greenway	66	85	86	86	86	113	113	113	113	113
Golf Courses	3	3	3	3	3	3	3	3	3	3
Pickleball Courts	-	-	-	-	10	10	10	10	10	10
Metro Parking										
Parking Garages	5	5	5	5	5	5	6	6	6	6
Parking Lots	8	8	8	8	8	9	10	10	7	7
Total Spaces	4,312	4,289	4,529	4,529	4,688	4,673	5,515	6,151	6,066	5,804
Fleet										
Garages	2	2	2	2	2	2	2	2	2	2
Number of Vehicles Maintained	1,515	1,532	1,538	1,552	1,562	1,510	1,524	1,532	1,561	1,509

Sources: Various City Departments

COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

Grantor Agency	Program Title	CFDA #	Grant #	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Housing and Urban Development	FEDERAL ASSISTANCE				
<u>Direct assistance</u>					
	Community Development Block Grant 2014	14.218 B-14-MC-47-0005		\$ 203,261	\$ 92,953
	Community Development Block Grant 2018	14.218 B-18-MC-47-0005		36,979	
	Community Development Block Grant 2019	14.218 B-19-MC-47-0005		21,193	11,926
	Community Development Block Grant 2019 Program Income	14.218 B-19-MC-47-0005		39,163	39,163
	Community Development Block Grant 2020	14.218 B-20-MC-47-0005		1,410,362	963,631
	Community Development Block Grant 2020 Program Income	14.218 B-20-MC-47-0005		145,397	145,397
	Community Development Block Grant Coronavirus Funding	14.218 B-20-MW-47-0005		839,457	808,083
	Community Development Block Grant/Section 108	14.218 B-15-MC-47-0005		226,195	-
		14.218		2,922,007	2,061,153
	Emergency Solutions Grant 2020	14.231 E-20-MC-47-0005		148,699	137,536
	Emergency Solutions Grant Coronavirus Funding	14.231 E-20-MW-47-0005		637,919	552,599
Passed through from Tennessee Housing Development Agency	Emergency Solutions Grant (THDA)	14.231 ESG-19-03		15,021	15,021
		14.231		801,640	705,156
	Home Investment Partnerships Program 2018	14.239 M-18-MC-47-0201		176,697	-
	Home Investment Partnerships Program 2018 Program Income	14.239 M-18-MC-47-0201		399,976	-
	Home Investment Partnerships Program 2019	14.239 M-19-MC-47-0201		649,035	-
	Home Investment Partnerships Program 2019 Program Income	14.239 M-19-MC-47-0201		76,527	-
	Home Investment Partnerships Program 2020	14.239 M-20-MC-47-0201		247,114	-
	Home Investment Partnerships Program 2020 Program Income	14.239 M-20-MC-47-0201		35,719	-
		14.239		1,585,069	-
	Empowerment Zone Grant Program Income	14.244 EZ-99-TN-0012		137,356	-
		14.244		137,356	-
	Lead Hazard Control Grant	14.900 TNLHB0705-18		673,208	545,116
		14.900		673,208	545,116
Total U.S. Department of Housing and Urban Development				6,119,280	3,311,425
U.S. Department of Justice					
<u>Direct assistance</u>					
	2020 Coronavirus Emergency Supplemental Funding Program	16.034 2020-VD-BX-0506		157,221	-
		16.034		157,221	-
	2020 Project Safe Neighborhood Eastern District	16.609 2018-GP-BX-0074		109,209	-
	2019 Project Safe Neighborhood Eastern District	16.609 2019-GP-BX-0012		68,120	-
		16.609		177,329	-
	2017 JAG/Byrne Grant	16.738 2017-DJ-BX-00420		88,114	-
	2018 JAG/Byrne Grant	16.738 2018-DJ-BX-0710		33,960	-
		16.738		122,074	-
<u>Passed through from</u>					
State of Tennessee Department of Finance and Administration: Office of Juvenile Justice & Delinquency Prevention	Tennessee 2016 ICAC Federal Grant	16.543 2016-MC-FX-K052		11,000	-
	2017 ICAC - Forensic Capacity Hiring Program for Wounded Veterans	16.543 2017-MC-FX-K005		79,622	-
	Tennessee 2019-2020 ICAC Federal Grant	16.543 2019-MC-FX-K013		476,361	-
		16.543		566,984	-
Office of Criminal Justice Programs	2020-22 VOCA - Law Enforcement Victim Coordinator	16.575 Contract 41637-VOCA LE-VC		145,729	-
		16.575		145,729	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

Grantor Agency	Program Title	CFDA #	Grant #	Expenditures	Amount Passed Through to Subrecipients	
Office of Community Oriented Policing Service	2018 Cops Stop School Violence (SVPP)	16.710	2018-SV-WX-0083	91,173	-	
	COPS- Knoxville Peer Support Project/Law Enforcement Mental Health & Wellness	16.710	2020-MH-WX-K034	1,275	-	
	2020 COPS Stop School Violence Program	16.710	2020-SV-WX-0036	18,067	-	
			<u>16.710</u>	<u>110,515</u>	<u>-</u>	
Total U.S. Department of Justice				<u>1,279,851</u>	<u>-</u>	
U.S. Department of Transportation						
<u>Direct assistance</u>						
Federal Transit Cluster	FY17/18 STP FlexFunds for Transit Buses	20.507	TN-2018-037-00	792	-	
	5307 CMAQ FLEX funds for Electric Bus Purchase	20.507	TN-2020-007-00	7,338	-	
	FY18 STP FlexFunds for KAT Passenger Amenities	20.507	TN-2018-051-00	29,613	-	
	FY 2020 LSTBG Flex Funds	20.507	TN-2020-034-00	147,980	-	
	FY2020 Formula Grant (5307)	20.507	TN-90-X2020	360,815	-	
	2014 STP Grant for 2014 Bus Purchase	20.507	TN-95-X071-00	709,804	-	
	FY2021 Formula Grant (5307)	20.507	TN-90-X2021	4,663,220	-	
			<u>20.507</u>	<u>5,919,562</u>	<u>-</u>	
		FY19 5339 Grant for Capital Projects	20.526	TN-2019-033-00	177,382	-
		FY20 5339 Grant for Capital Projects	20.526	TN-2020-035-01	36,378	-
		FY20 5339 Bus and Bus Facilities Funds	20.526	TN-2020-XXX-00	432,135	-
		2013 & 2014 5339 (MAP 21) Grant	20.526	TN-34-0005-00	11,790	-
				<u>20.526</u>	<u>657,685</u>	<u>-</u>
Total Federal Transit Cluster				<u>6,577,247</u>	<u>-</u>	
<u>Passed through from</u>						
Tennessee Department of Transportation	Jackson Avenue Ramps	20.205	Contract 050113; BRZE-9109(103); PIN 106077.00	3,039,479	-	
Tennessee Department of Transportation	Access Improvements to I-275 Business Park	20.205	Contract 090268; PIN 110262.00	2,326,457	-	
Tennessee Department of Transportation	Widening of Pleasant Ridge Road, from City Limits to	20.205	STP-EN-9109(53)	82,960	-	
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205	STP-M-9109(64); State 070099	95,083	-	
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205	STP-M-9109(165); State 140161; PIN 120004.00	112,200	-	
Tennessee Department of Transportation	CMAQ funding for the Chapman Highway Portion of the ATMS	20.205	CM-9109(172); State 140161	24,750	-	
Tennessee Department of Transportation	Liberty Street Multimodal Improvements	20.205	TAP-STP-M-9115(171); State 150169; PIN 122977.00	50,046	-	
Tennessee Department of Transportation	First Creek Greenway-Broadway Streetscapes	20.205	TAP/STP-M-9115(179); State 170054; PIN 125623.00	20,767	-	
Tennessee Department of Transportation	Atlantic Avenue Sidewalk	20.205	STP-M-3789(10); State 180006; PIN 126946.00	20,029	-	
Tennessee Department of Transportation	Middlebrook Pike ATMS	20.205	CM-169(17) State 190013	73,174	-	
Tennessee Department of Transportation	Urban Wilderness Corridor Study	20.205	STP-NH-71(43); State 190349	136,582	-	
Tennessee Department of Transportation	Broadway Transit Signal Priority (Broadway Bus Corridor/ATMS)	20.205	CM-9109(177)	148,665	-	
Tennessee Department of Transportation	Tennessee Department of Transportation	20.205	CM-9109(186) State 200095	310	-	
Tennessee Department of Transportation	Papermill Drive Corridor Study	20.205	STP-M-4829(10); State 200106; PIN 130107.00	66,432	-	
Tennessee Department of Transportation	East Knox Greenway, From Willow Avenue to the Knoxville Botanical Gardens	20.205	STP-M-9109(184); State 190092; PIN 128777.00	7,756	-	
Tennessee Department of Transportation	South Waterfront Greenway-East of Suttree (aka S.W. Riverwalk)	20.205	TAP-M-9109(181); State 180068; PIN 127815.00	14,171	-	
Tennessee Department of Transportation	East Magnolia Avenue/Rutledge Pike/Asheville Highway Planning Study	20.205	STP-M-1(405); State 180194	28,077	-	
Tennessee Department of Transportation	Blount-Sevier Corridor Improvements/South Waterfront	20.205	STP-EN-9109(173); State 130166; PIN109677.00	116,090	-	
Total Highway Planning and Construction Cluster			<u>20.205</u>	<u>6,363,028</u>	<u>-</u>	
Highway Safety Cluster	Knoxville FY2020 DUI Enforcement	20.607	Z20-THS131/Edison 64054 (AL)	8,521	-	
	Community-Based Traffic Safety Enforcement & Education	20.607	Z21-THS153/Edison 66297(PT)	74,072	-	
Total Highway Safety Cluster			<u>20.607</u>	<u>82,592</u>	<u>-</u>	
Total U.S. Department of Transportation				<u>13,022,867</u>	<u>-</u>	
U.S. Department of Treasury						
<u>Direct assistance</u>						
	Coronavirus Relief Fund	21.019		2,812,500	-	
		21.019		<u>2,812,500</u>	<u>-</u>	
Total U.S. Department of Treasury				<u>2,812,500</u>	<u>-</u>	

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

Grantor Agency	Program Title	CFDA #	Grant #	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Health & Human Services					
<u>Direct assistance</u>					
	Knoxville Mental Health Awareness Training/Mental Health First Aid	93.243	1H79SM081081-01	154,934	154,934
		<u>93.243</u>		<u>154,934</u>	<u>154,934</u>
Total U.S. Department of Health & Human Services				<u>154,934</u>	<u>154,934</u>
U.S. Office of National Drug Control Policy					
<u>Passed through from</u>					
Financial Commission for Appalachia HIDTA	2020 High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	G20AP0001A	47,754	-
Financial Commission for Appalachia HIDTA	2021 High Intensity Drug Trafficking Areas Program	95.001	G21AP0001A	38,669	-
		<u>95.001</u>		<u>86,424</u>	<u>-</u>
Total U.S. Office of National Drug Control Policy				<u>86,424</u>	<u>-</u>
U.S. Department of Homeland Security					
<u>Passed through from</u>					
Passed through Knox County	2018 Homeland Security Grant through Knox County (EMW-2018-SS-00033-S01)	97.067	34101-09719/EMW-2018-SS-00033	11,190	-
Passed through Knox County	2019 Homeland Security Grant flowing through Knox County	97.067	34101-15220/EMW-2019-SS-00029	3,000	-
		<u>97.067</u>		<u>14,190</u>	<u>-</u>
Total U.S. Department of Homeland Security				<u>14,190</u>	<u>-</u>
Total Federal Assistance				<u>\$ 23,490,046</u>	<u>\$ 3,466,359</u>
 STATE ASSISTANCE					
Criminal Justice Program	East Tennessee State ICAC Appropriation		31701-06233; Edison 49531	\$ 18,498	\$ -
Tennessee Department of Transportation	State Portion for FY 2020 LSTBG Flex Funds		TN-2021-034S-00	18,498	-
Tennessee Department of Transportation	State Portion of the FY19 5339 Grant		475339-FY195339	22,173	-
Tennessee Department of Transportation	Kingston Pike Multimodal Transportation Grant		47LPLM-S3-120; PIN 121995.00	1,914	-
Tennessee Department of Transportation	FY2013 & 2014 5339 Funding		TN-34-0005S-00	1,474	-
Tennessee Department of Transportation	FY18 STP FlexFunds for KAT Passenger Amenities		TN-2018-051S	3,702	-
Tennessee Department of Transportation	State Portion for the 2017/2018 STP FlexFunds for Transit Buses		TN-2018-039S	99	-
Tennessee Department of Transportation	State Portion of the FY2020 Formula Grant		TN-90-X2020S	45,102	-
Tennessee Department of Transportation	State Portion of the FY2021 Formula Grant		TN-90-X2021S	582,903	-
Tennessee Department of Transportation	State Portion of the 5307 CMAQ FLEX funds for Electric Buses		TN-2020-007S-00	917	-
Tennessee Department of Transportation	Chapman Highway Multimodal Grant		47LPLM-S3-166; State 190020; PIN 128590.00	1,853	-
Tennessee Department of Transportation	State Portion of the FY20 5339 Grant (VW Mitigation)		TN-2020-XXXS-00	54,017	-
Tennessee Department of Transportation	State Portion of the FY20 5339 Grant		TN-2020-035S-01	4,547	-
Tennessee Dept of Environment & Conservation	VW Diesel Settlement Environmental Mitigation Bus Grant		32701-04059(VWDieselSettlemnt)	1,620,506	-
Tennessee Dept of Environment & Conservation	TDEC - Education & Outreach Grant		Edison 57600; 32701-03426	8,543	-
Tennessee Dept of Environment & Conservation	FY19/20 Household Hazardous Waste Grant		Edison 63235; 32701-03857	23,017	-
Total State Assistance				<u>\$ 2,407,761</u>	<u>\$ -</u>
Total Federal and State Assistance				<u>\$ 25,897,807</u>	<u>\$ 3,466,359</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the City of Knoxville, Tennessee (the "City") for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and the State of Tennessee. The expenditures of federal and state awards relating to the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority which are reported as component units of the City as described in our report on the City's financial statements are not included in the City's schedule of expenditures of federal and state awards. These component units are separately audited and reported on in accordance with the Uniform Guidance, where applicable.

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

Note 2 - Loans Outstanding

The City of Knoxville had the following loan funding balances and loan balances outstanding at June 30, 2021.

<u>Cluster / Program Title</u>	<u>CFDA Number</u>	<u>FY 21 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grants	14.218	\$ 313,164	\$ 4,075,065
Empowerment Zone	14.244	-	99,669
HOME Investment Partnerships Program	14.239	<u>1,992,253</u>	<u>8,905,205</u>
Total Loans		<u>\$ 2,305,417</u>	<u>\$13,079,939</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated, January 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*, but other matters that are required to be reported under the State of Tennessee Audit Manual are referenced as 2021-001 to 2021-004 in the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

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

Crosalin, PLLC

Nashville, Tennessee
January 28, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Knoxville, Tennessee's ("the City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units, and which received \$38,734,420 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2021. Our audit, described below, did not include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority because these component units engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Knoxville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2021.



Report on Internal Control Over Compliance

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

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

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

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

Crosslin, PLLC

Nashville, Tennessee
January 28, 2022

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

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

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

Identification of major programs for the City of Knoxville for the fiscal year ended June 30, 2021 are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.231	Emergency Solutions Grants Program
20.507 and 20.526	Federal Transit Cluster
21.019	Coronavirus Relief Fund

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

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

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2021**

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

None reported.

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

None reported.

IV. Findings and questioned costs required by the State of Tennessee audit manual

2021-001 Fraudulent Overtime Request

Condition, Criteria, Cause, Questioned Costs and Effect

Knoxville Police Department (KPD) management identified and reported questionable overtime payments of at least \$8,473 to one of their Officers to the Tennessee Bureau of Investigation (TBI) for further review. The TBI investigation revealed that from February 2017 through February 2019, overtime requests submitted by and paid to the Officer did not coincide with building and database access logs.

Recommendations

We recommend that KPD implement procedures to facilitate proper oversight and approval of overtime payment requests.

Management's Response and Planned Corrective Action

When confronted with the results of the TBI investigation, the Officer resigned his employment in May 2019. KPD implemented additional procedures to facilitate proper oversight and approval of overtime payment requests. In August 2020, the District Attorney General filed charges against the Officer to recover the fraudulent overtime paid by the City. The City considers this matter to be closed.

2021-002 Fraudulent P-Card Charges

Condition, Criteria, Cause, Questioned Costs and Effect

During June 2020, it was discovered that there were fraudulent charges amounting to \$2,161 posted to the City's p-card.

Recommendations

None.

Management's Response and Planned Corrective Action

The City cancelled the p-card, protested the charges and a credit was posted to the City's account in the amount of the original charges. The City considers this matter to be closed.

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2021**

2021-003 Fraudulent Email Requesting Payment

Condition, Criteria, Cause, Questioned Costs and Effect

In July 2020, the City's payroll department received a fraudulent email that appeared to be from a member of City Council requesting a change to their direct deposit account. The Council Member's July 31st payroll in the amount of \$600 was deposited into the fraudulent account. On the next payroll cycle, the direct deposit was returned by the bank because the fraudulent account had been closed. The investigation into the returned second deposit revealed the fraud; initial \$600 deposited into the fraudulent account was unrecovered.

Recommendations

None

Management's Response and Planned Corrective Action

The City's payroll employee violated procedure by not calling the number listed on file with the City to verbally confirm the requested direct deposit change. The payroll employee was formally reprimanded for not following established protocols and procedures. The City considers this matter to be closed.

2021-004 Fraudulent Purchases

Condition, Criteria, Cause, Questioned Costs and Effect

During January 2021, KAT management was informed of potential unauthorized purchases by the Interim Chief Safety & Training Officer for uniforms, shoes and other work-related items by utilizing the unused balances for several former employees at KAT's uniform contractor.

Recommendations

We recommend that additional policies and procedures be put into place to help prevent unauthorized purchases.

Management's Response and Planned Corrective Action

All items that were ordered outside of established protocol never left KAT premises and were either returned for credit or otherwise deployed to new hires. When presented with findings from an internal review, the Interim Chief Safety & Training Officer resigned. KAT management revised their Employee Uniform Accounts Policy in April 2021 to include additional administrative controls. The City considers this matter to be closed.

CITY OF KNOXVILLE, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

None reported.

Financial Awards Findings and Questioned Costs

None reported.

Findings and questioned costs required by the State of Tennessee audit manual

Other matters that were required to be reported under the State of Tennessee Audit Manual were referenced as 2020-001 through 2020-005. These matters did not repeat and were noted as resolved.