



CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR

**OUR
PURPOSE**

**Provide a stable foundation for safety,
health and the common good**



**OUR
PRIORITIES**

**Public Safety, Healthy & Connected Neighborhoods,
A Clean and Resilient Future, Thriving Businesses
& Good Jobs, and Good Governance**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR ENDING JUNE 30, 2022**

ANNUAL COMPREHENSIVE FINANCIAL
REPORT



CITY OF KNOXVILLE

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

*PREPARED BY:
CITY OF KNOXVILLE FINANCE DEPARTMENT*

CITY OF KNOXVILLE, TENNESSEE

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2022**

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INTRODUCTORY SECTION



CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR

January 13, 2023

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, 2022. 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, 2022.

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 copy 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 consisting of the 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, overseeing the daily 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 192,648 (2021 Census Bureau Estimate). Located in East Tennessee at the headwaters of the Tennessee River, the city serves as the economic center of the East Tennessee region, 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 help 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. More recently, economists at the University of Tennessee have stated that Tennessee is one of 25 states that have fully recovered from the recent pandemic and is the ninth-strongest state in terms of job growth. In short, the City of Knoxville is somewhat insulated from the boom or bust cycles that occur in much of the country.

The City of Knoxville is in a good position to weather a potential recession, if one were to occur, as many economists predict. In fact, the state, as a whole, is projected to even show modest growth, according to a new report issued recently by the Boyd Center for Business and Economic Research at the University of Tennessee. The report projects that the nation's inflation adjusted GDP will fall by 3% in 2023 while the state's GDP is expected to grow by 0.7%. One of the key reasons for this more optimistic outlook is that more people have moved to the state, and Knoxville, in recent years which has provided a boost to economic growth. This is particularly seen in a strong influx of local option sales tax and state shared sales tax. For example, the City's local option sales tax revenue grew by 14.73% from FY 2021 to FY 2022 resulting in an additional \$7 million dollars.

Tourism continues to be an economic generator for Knoxville, as we continued to see growth in visitation and economic activity in FY21/22. From July 2021 to June of 2022, hotel occupancy increased 20% over the prior fiscal. Additionally, a total of 2,305,709 rooms were sold over that period across the county which reflects a 24.3% increase over FY20/21. Through Visit Knoxville's website and media ads, 43,934 bookings were made for 107,855 nights totaling more than \$14.4 million in revenue. In short, tourism in Knoxville continued to grow and thrive through FY21/22.

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%
2022	\$55,798	14.73%

As shown above, in FY 2022 the City experienced a 14.73% increase in local option sales tax revenue (an additional \$7 Million). The City's local option sales tax revenue has been on the rise for many years as depicted above and this trend continues. As Knoxville is not a boom or bust town, revenues were not negatively affected by the pandemic, to the extent initially forecasted, and the overall financial status remains one of "cautious optimism" despite the nationwide concern of a potential recession. This is due to many factors such as major new developments in the city, the rebound of the tourism industry (hotels and restaurants), the creation of more housing, improvement in entertainment venues within the city, and (as mentioned above) a steady influx of people (primarily young adults ages 20-44) from other states.

The presence of the University of Tennessee along with Tennessee Valley Authority, Oak Ridge National Laboratory and other large governmental entities lend stability to the area, making the local economy less cyclical than the national or state economy. In FY22, the Knoxville metro area's civilian labor force (full and part-time, non-farm, wage and salary employees and self-employed persons) totaled 450,000 workers. Average unemployment rate in the metro area was 3.8 percent, reflecting an increase of three tenths of a percentage point from FY21.

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.

Our component units are also rebounding from the pandemic. The Knoxville Utilities Board (KUB), which provides electric, fiber, gas, water and wastewater to the City and outlying areas saw an increase in net position in FY 22 of \$77.8 million compared to \$75.5 million in FY 21.

KUB provides utility services to more than 478,000 customers in Knoxville and parts of seven surrounding counties. KUB's system is comprised of 5,480 miles of electric service lines, 63 electric substations, 2,547 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, 1,330 miles of wastewater service mains, 79 wastewater pump stations and 4 wastewater treatment plants. KUB has approximately 1,100 employees. Functioning with an approved operating budget of \$1.1 billion and \$2.3 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 FY2017, FY2018, and FY2019 as airline passenger traffic soared. FY2020 was on track to become the airport's fourth consecutive record year until the outbreak of COVID-19 in March 2020.

According to the Federal Aviation Administration's (FAA) Aerospace Forecast FY2022-2042, the unpredictable demand environment carriers faced in the previous two years will improve. Driving the predictability will be the continued lifting of COVID-19 precautions, the working off of pent-up demand, and employees returning to offices as they become more comfortable with travelling again and employers finding ways to satisfy duty-of-care requirements.

As FY2022 ended, Knoxville airline passengers continued the upward trend begun in 2021. "Bleisure" travel became the new norm in FY2022, or leisure travel attached to business, as pent-up demand began to correct the market. The general aviation (GA) sector was less affected by the COVID-19 crisis than the airlines and full recovery to 2019 levels is expected sooner than other sectors. The long-term outlook for general aviation remains stable. Downtown Island Airport is experiencing a similar trend.

MKAA was able to weather the COVID-19 pandemic and return to "normal" market conditions fairly quickly in large part due to available federal stimulus funding. McGhee Tyson Airport received \$25.8M in CARES ACT funding followed by \$5M in funding from an Airport Coronavirus Response Grant and \$10.7M funding from the Airport Rescue Grant.

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, state and federal governments and fare revenues. KAT carried over 2 million passenger trips during fiscal year 21/22, 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 3-route trolley system is based at the Knoxville Station Transit Center, which serves as the major public transportation hub for metropolitan Knoxville. The facility, which opened in 2010, is the city's first Silver LEED certified government building.

During the course of this fiscal year, KAT launched a new real-time bus app and improved over thirty bus stops by adding benches, shelters, and leaning rails. Another major accomplishment was completing the Federal Transit Administration Triennial Review with zero findings.

There are some exciting projects on the horizon for KAT. These projects that are being undertaken to increase customer focus and ridership such as bus stop improvements, adding more electric buses, new

fare payment options, and completing “KAT Reimagined” that is examining the current bus network and service.

City of Knoxville’s Public Assembly Facilities - Knoxville boasts an active tourism market with conventions, sporting events, public and consumer shows, and a prospering concert and live-entertainment scene.

The Knoxville Convention Center celebrated its 20th anniversary this year, and features a 120,000 square foot ex-hall, a 30,000 square foot Ballroom and 15 meeting rooms. The center received the Prime Site Award from Facilities and Destination’s Magazine and has an excellent international reputation hosting attendees from 82 countries. The center welcomed over 300,000 attendees in FY 2021/2022. Additionally, the World’s Fair Exhibition Hall is located across the street from the convention center and offers another 70,000 square-feet of ex-hall space and has become home to multiple volleyball and basketball tournaments and other conferences and public shows.

The Knoxville Civic Auditorium and Coliseum celebrated its 60th anniversary last year, seating 5,000 for hockey games and 6,000 for an arena show, with a 2,500-seat auditorium. This past year the facility achieved the second highest ticket sales in the state of Tennessee for FY 2021/2022 and was awarded the 2022 “Venue of the Year” by the Greater Knoxville Hospitality Association.

Chilhowee Park and Exposition Center is an 81-acre multi-use facility with 60,000 square feet of exhibition hall space and a 5,000 seat amphitheater. This facility increased its community usage during FY 2021/2022 by 78% and is also home to the Tennessee Valley Fair.

Among Knoxville’s many annual events are the Dogwood Arts Festival, Big Ears Festival, the Tennessee Valley Fair, Christmas at Chilhowee, and the Fantasy of Trees. The city is increasingly becoming an outdoor destination for many conventions and convention goers with the development of an urban wilderness area in south Knoxville and the enhancement of its parks and greenways.

The Big Ears musical festival had a particularly positive impact on the local economy this past spring. This festival occurs annually in late March and generated \$36.1M for the local economy and more than \$2.6M in state and local tax revenue. Specifically, AngelouEconomics estimates the festival generated \$20.24M in direct spending, \$8.64M in indirect spending and \$7.2M in induced spending. It also provided nearly \$12.9M in labor income. The event has grown somewhere between 15% - 25% annually since 2014 and after a two year hiatus, imposed by the pandemic, festival goers and performers filled hotels and short term rentals, and visited local restaurants.

The Knoxville Symphony Orchestra and the Knoxville Opera are among the many exceptional arts organizations in the city. Choral groups, dance companies, and over a dozen performance venues, including the Historic Tennessee and Bijou theaters, also promote the arts with performances nearly every day of the year. Live entertainment includes touring Broadway productions, annual festivals including the HoLa Hora, Dogwood Arts, and Asian Festivals, and live music concerts daily at the WDVX broadcasting studio downtown. 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 Exchange Center, celebrate Knoxville’s rich 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 and remains 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 which is 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. Knoxville is a thriving modern city with small town charm, known for its access to outdoor adventure and a downtown with a diverse music scene and numerous restaurants within one square mile. It's no wonder U.S. News and World Report lists Knoxville among the top 100 places to live.

The quality of life, one of the nations' lowest cost of living areas - at 14.6% below the national average, 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, Inc., Scripps Networks Interactive, Covenant Health, Pilot Flying J, and Regal. 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 increase during FY 22 of approximately 14% over the FY 21 figure of 26,254 students, 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. Access to world-class research facilities, federally-owned utility services and graduates from highly-ranked post-secondary institutions gives Knoxville-based businesses a distinct advantage.

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

A forward-thinking, friendly, and rapidly growing city, Knoxville is the largest city in East Tennessee. Knoxville prides itself on being a great place to live, raise a family, start a business, or invest. Steeped in innovation, connected with nature, and brimming with charm, the City offers amenities that appeal to every lifestyle. Knoxville offers one of the nation's lowest costs of living, coming in 14.6% below the national average. Access to world-class research facilities, federally-owned utility services and graduates from highly-ranked post-secondary institutions gives Knoxville-based businesses a distinct advantage. The City of Knoxville is committed to our community's continued growth and ability to thrive economically and socially.

Downtown Knoxville continues to enjoy 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.

II. Investing in Core Services

The work of the City to provide services that protect public health and safety is a primary and core function of City government. People deserve to be and feel safe in Knoxville, and our community cannot thrive unless residents are safe and secure. As such, the City budgets approximately \$163.5 million directly supporting the pay and benefits for the men and women in uniform who work daily to keep our community safe.

Recognizing that lagging employee retention and recruitment (due to the nationwide job market) was a concern, the City performed a comprehensive, third-party analysis of employee compensation across all

departments. The study identified precise strategies to make employee salaries more competitive and ensure the City can recruit and retain a talented workforce to meet the needs of the City. The budget for FY23 which was passed toward the end of FY 22 included a property tax increase sufficient to implement the long-term compensation strategy, including adjustments to city employee salaries where needed, as well as a 6% across-the-board increase for all employees to boost recruitment and retention, and ensure the City of Knoxville remains an attractive employer in a competitive market.

III. Investing in Critical Infrastructure

The City of Knoxville takes seriously its responsibility to meet the critical infrastructure needs that Knoxville's economy and neighborhoods rely on. Capital spending has increased approximately 70% as of late, due to the investment of one-time funding made possible by the Federal American Rescue Plan Act (ARPA). The Capital Project Budget reflects increased project costs as a result of inflation, as well as intentional decisions to invest in the upkeep of critical infrastructure, such as roadways, storm sewers, and other public assets. The City's capital budget also reflects core administrative goals to promote public safety, healthy neighborhoods, sustainability, and good jobs.

Providing safe and reliable infrastructure to support the mobility of all users of Knoxville's transportation systems, including bicyclists and pedestrians, is another focus of the most recent capital budget. The City supports community-wide pedestrian infrastructure and improvements, including funds for new sidewalks, curb cuts and sidewalk repairs across City neighborhoods. The recent budget invested \$8.6 million in highway infrastructure which also supports bicyclists and pedestrians at specific high-priority locations. A total of just over \$10.8 million was also provided for critical roadway safety investments such as repairs to roads, bridges, guardrails, signage, signals and other basic safety assets across the City.

Additionally, the most recent budget invested in making Knoxville a sustainable/resilient community with a high quality of life for residents. The budget includes \$10.2 million for park improvements throughout the City, including upgrades not only to local neighborhood parks, but also regional park attractions such as the Urban Wilderness and Lakeshore Park. The budget leverages Federal and State funding associated with the American Rescue Plan Act (ARPA) to provide a total of over \$20 million for critical support for our City's stormwater infrastructure. Investments in the efficiency of municipal facilities through equipment and operational improvements reduce utility bills and create a return on investment for taxpayers while also reducing environmental impacts.

IV. Investing in Partnerships

In addition to providing basic services and infrastructure, the City also advances its mission and administrative priorities through partnerships that leverage both public and private resources to solve tough challenges that face the Knoxville community.

Partnerships to preserve and increase the supply of affordable housing are some of the most important strategies that the City invests in to support a growing and thriving community: a healthy economy and healthy housing market go hand in hand. The City uses Federal and local dollars to leverage support toward as many housing opportunities for people and families as possible, and roughly 1,500 new,

affordable units have opened in the last 3 years or are under construction thanks to the City's support. Established by ordinance in May 2021, the Knoxville Affordable Housing Fund is a 10-year, \$50 million commitment by the City of Knoxville to support the creation and preservation of safe, high-quality, and affordable housing to support the Knoxville community. Since creating the fund in 2021, the City has committed more than \$19.5 Million toward housing initiatives, including \$8.5 million of local funds in FY23.

As the Knoxville economy continues to grow, the City and our partners work to ensure that growth reflects the needs of the 21st century economy and workforce and creates opportunities for all community members. The recent budget included \$1,181,000 to support Knoxville economic development partners. This includes funding to support traditional business development opportunities through the Knoxville Chamber, as well as efforts specifically focused on supporting Knoxville's Latino community, small businesses and entrepreneurs, and Black-owned businesses. It also supports the Spark Cleantech Accelerator that aids early-stage, high-growth companies focused on solutions targeting the climate crisis while simultaneously supporting Knoxville's regional advanced energy economy.

In today's world, access to high-speed, high quality broadband internet opens the door to educational and economic opportunities. With the support of the Knoxville City Council, Knoxville Utilities Board (KUB) is moving forward to provide municipal broadband services to every electric customer, with the first homes having come online in the fall of 2022. To ensure that this investment achieves its goal of increasing digital access and equity, this budget includes funding support from the City for KUB's Student Internet Access Program that will provide free internet access to qualifying low-income student households.

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the 36th year 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 for 2022. This marks the 35th 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.

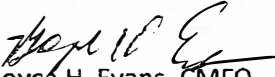
Acknowledgments

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 the Deputy Chief Financial Officer (Ms. Kittrin Smith), 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, Gwen Mckenzie, 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 Knoxvilleians 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



Boyce H. Evans, CMFO
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Knoxville
Tennessee**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

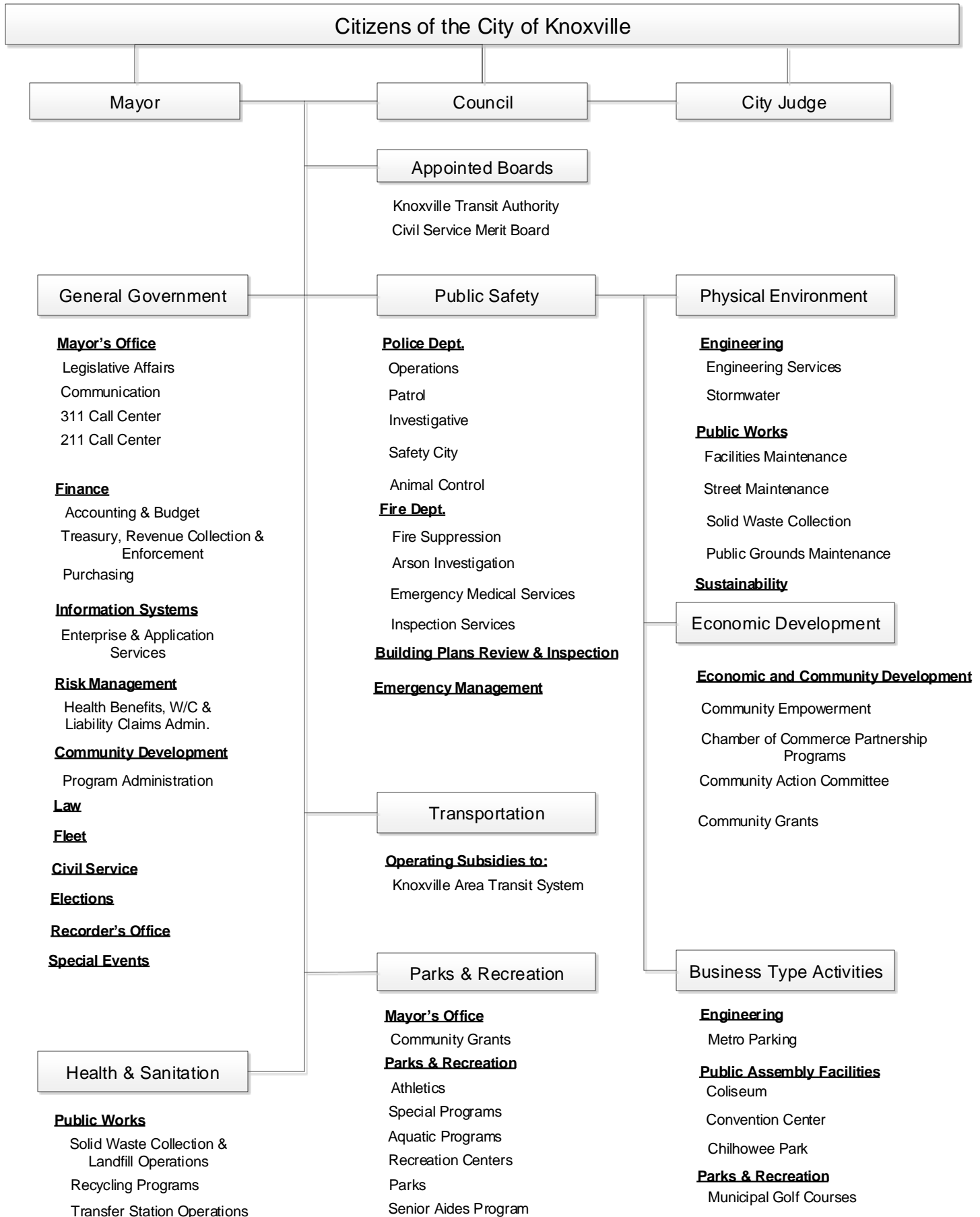
June 30, 2021

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 - Paul Noel, 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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

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 represent 98 percent, 97 percent, and 93 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units of the City as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note A to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 22, the schedule of changes in net pension liability and related ratios and schedule of employer contributions of the pension plan on pages 100 and 101, and the schedule of changes in total OPEB liability and related ratios on page 102, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements, schedule of changes in long-term debt by individual issue, schedule of changes in lease obligations, schedule of lease requirements by year, and the schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of changes in long-term debt by individual issue, schedule of changes in lease obligations, and schedule of lease requirements by year are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023, 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 13, 2023

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) aids the reader in understanding the City of Knoxville's basic financial statements and financial position. It 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, 2022.

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 \$805,639,935 (*net position*). Of this amount, \$353,965,081 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$73,834,237, a change of 10.09%, when compared to FY2021. This gain stems from a relatively quick recovery from the pandemic, effective budgetary controls, an increase in both local and state shared revenues, an increase in net investment in capital assets, and a substantial reduction in our net pension liability.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$337,752,128 an increase of \$10,835,636 over the prior year. Of this total, \$311,012,209 or 92.08% is either non-spendable, restricted, committed, or assigned. The remaining balance of \$26,739,919 is available for other uses.
- The ending fund balance in the City's General Fund increased by \$5,716,462 or 5% over the prior year. For FY2022, \$14,354,220 was appropriated from unassigned fund balance to augment General Fund revenues to balance the planned budget expenditures. Overall tax collections came in higher than anticipated by \$10,445,688 and 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 \$535,631 is considered non-spendable and \$87,342,936 is restricted, assigned or committed. The remaining balance of \$26,739,919 is available for spending at the City's discretion.
- The City's total debt for the primary government increased by \$5,025,000 from \$175,660,000 to \$180,685,000 during the fiscal year. The net increase is the result of a new debt issuance of approximately \$18 million and our annual debt service payments.

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 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'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 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, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City 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

General
Debt Service
Capital Projects
Miscellaneous Community
Development Funds

Non-Major Governmental Funds/Special Revenue Funds

State Street Aid
Community Development Block Grants
Abandoned Vehicles
City Inspections
City Court
Miscellaneous Grants
Animal Control
Miscellaneous Special Revenue Funds
Storm Water
Solid Waste

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 reports 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'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 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 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 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, 2022

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	
	2022	2021	2022	2021	2022	2021
Assets						
Cash and investments	\$ 467,279	\$ 443,398	\$ 89,029	\$ 77,419	\$ 556,308	\$ 520,817
Other assets	241,299	209,247	(5,705)	(1,732)	235,594	207,515
Capital assets	492,399	441,434	139,526	146,297	631,925	587,731
Total assets	1,200,977	1,094,079	222,850	221,984	1,423,827	1,316,063
Deferred Outflows	42,086	77,634	-	-	42,086	77,634
Liabilities						
Other liabilities	26,887	20,911	3,892	3,228	30,779	24,139
Noncurrent liabilities	314,718	394,061	77,842	83,337	392,560	477,398
Total liabilities	341,605	414,973	81,734	86,565	423,338	501,538
Deferred Inflows	236,738	159,828	196	526	236,934	160,354
Net position						
Net investment in capital assets	371,712	331,898	61,691	62,967	433,403	394,865
Restricted	18,272	14,465	-	-	18,272	14,465
Unrestricted	274,736	250,550	79,229	71,926	353,965	322,476
Total net position	\$ 664,720	\$ 596,913	\$ 140,920	\$ 134,893	\$ 805,640	\$ 731,806

Note: Fiscal year 2021 has been restated as discussed in Note 23 to the financial statements.

Governmental Activities

Assets have increased by 9.77% and liabilities have decreased by 17.68% when compared to FY2021 levels. The increase in assets is due primarily to an increase in capital assets that have recently come to fruition. Noncurrent liabilities decreased by \$79.3 million primarily due to a decrease in the City's net pension liability. The net pension liability decreased by \$93.7 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 11.4%.

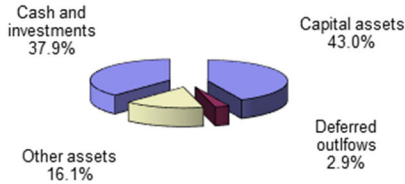
Business-Type Activities

Assets and liabilities changed by 0.4% and (5.6%) respectively from FY2021 levels. The overall result of all these changes is a 4.5% increase in net position.

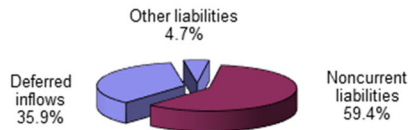
Total Primary Government

The City's capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure, and construction in progress account for 43.0% of \$1,465.9 million in total assets and deferred outflows. Taxes and governmental receivables and other assets constitute 16.1%. Current liquidity comprised of cash and investments represents 38.0% and deferred outflows representing pension and other post-employment benefits account for 2.9%.

Primary Government Assets & Deferred Outflows



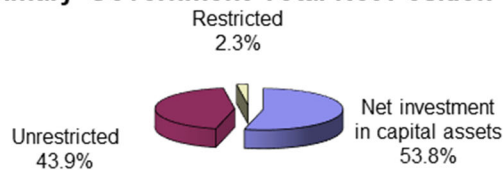
Primary Government Liabilities & Deferred Inflows



Of the total government liabilities and deferred inflows, 59.5% are in long-term debt. ***Of the total long-term debt, approximately \$75.6 million is related to debt issued to finance the convention center and approximately \$67.7 million pertains to the new Safety Complex under construction.***

A portion of the City's total net position is restricted for specific purposes. These restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are system development charges, bond proceeds, taxes and other collections limited to repayment of debt. The unrestricted net position of the City's primary governmental activities represent 41.33% of total primary government net position.

Primary Government Total Net Position



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 11,285	\$ 11,201	\$ 14,833	\$ 7,450	\$ 26,118	\$ 18,651
Operating grants & contributions	8,653	8,332	1,500	1,500	10,153	9,832
Capital grants & contributions	7,037	14,262	-	-	7,037	14,262
General revenues:						
Taxes	299,563	265,908	9,515	12,195	309,078	278,103
Interest	(378)	944	157	113	(221)	1,057
Other	4,975	2,964	866	400	5,841	3,364
Total revenues	<u>331,134</u>	<u>303,611</u>	<u>26,871</u>	<u>21,658</u>	<u>358,005</u>	<u>325,269</u>
Expenses:						
General government	47,472	50,633	-	-	47,472	50,633
Public safety	99,880	112,691	-	-	99,880	112,691
Physical Environment	56,689	56,076	-	-	56,689	56,076
Transportation	3,373	5,947	-	-	3,373	5,947
Economic development	16,886	16,534	-	-	16,886	16,534
Parks and recreation	13,285	12,490	-	-	13,285	12,490
Health & Sanitation	10,571	10,087	-	-	10,571	10,087
Interest on long-term debt	4,317	1,785	-	-	4,317	1,785
Other	-	-	31,698	26,167	31,698	26,167
Total expenses	<u>252,473</u>	<u>266,243</u>	<u>31,698</u>	<u>26,167</u>	<u>284,171</u>	<u>292,410</u>
Increase (decrease) in net position before transfers	78,661	37,368	(4,827)	(4,509)	73,834	32,859
Transfers	(10,854)	(6,861)	10,854	6,861	-	-
Changes in net position	67,807	30,507	6,027	2,352	73,834	32,859
Beginning net position	<u>596,913</u>	<u>566,406</u>	<u>134,893</u>	<u>132,541</u>	<u>731,806</u>	<u>698,947</u>
Ending net position	<u>\$ 664,720</u>	<u>\$ 596,913</u>	<u>\$ 140,920</u>	<u>\$ 134,893</u>	<u>\$ 805,640</u>	<u>\$ 731,806</u>

Note: Fiscal year 2021 has been restated as discussed in Note 23 to the financial statements.

Reflected in the Government-Wide Statement of Activities for the fiscal year ending June 30, 2022, only the General and State Street Aid Funds (not including miscellaneous grant 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 proper operation of the city. Property tax collections for the General Fund increased by \$9,436,866 because the City adjusted the ratio between debt service and Operational revenue such that we only carried enough in Debt Service to make the debt service payments in FY 22. Additionally, local option sales tax collections increased by 14% from FY 2021 to FY 2022. The state income tax on investments was eliminated in FY2022.

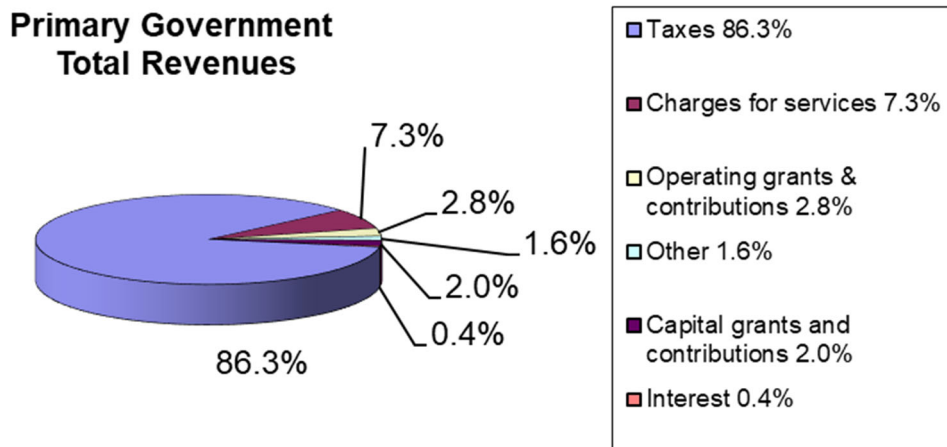
Surplus Debt Service fund revenues are generally used for one-time expenditures, capital projects or to retire debt. Excess City Court revenues, if any, are transferred to the General Fund to finance general operations. Public safety operations (police, fire, emergency management and codes enforcement) accounted for 35.1% of the City's total governmental operations of \$284.1 million. All other City 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. Note that "public assembly facilities" consist of the Convention Center, 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 sixth largest 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, it is no surprise that many organizations choose to hold events at the Knoxville Convention Center to take advantage of Knoxville's unique geographic location. Current expenses exceed revenues for these business type activities which is generally "the norm" for cities that own entertainment/recreational type facilities. However, the local economy benefits greatly from 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. Additionally, redevelopment efforts in areas surrounding the City's downtown and the South Waterfront are expected to increase the cost effectiveness of the city's infrastructure investments.

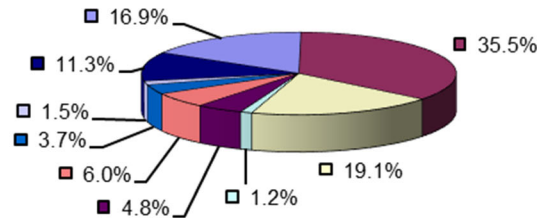
Total Government

Primary Government Revenues were \$358 million. The largest portion of these revenues (\$309.1 million – 86.3%) was from taxes.



Total primary government expenses totaled \$284.2 million, 35.1% of which was directed toward public safety.

Primary Government Total Expenses



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 City'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	
	2022	2021	2022	2021	2022	2021	2022	2021
Program Revenues	\$ 907,407	\$ 823,281	\$ 48,982	\$ 51,860	\$ 73,385	\$ 29,360	\$ 1,029,774	\$ 904,501
Program Expenses	(822,371)	(742,320)	(39,289)	(32,890)	(52,615)	(38,544)	(914,275)	(813,754)
Total General Revenues	(7,217)	(5,435)	6,676	14,499	(1,041)	3,038	(1,582)	12,102
Change in Net Assets	77,819	75,526	16,369	33,469	19,729	(6,146)	113,917	102,849
Net Assets at Year End	\$ 1,363,464	\$ 1,285,645	\$ 331,848	\$ 315,479	\$ 60,587	\$ 40,858	\$ 1,755,899	\$ 1,641,982

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2022

The total Governmental Funds balance as of June 30, 2022 was \$337.8 million of which the general fund's balance is approximately \$114.6 million, the debt service fund is \$64.0 million, capital projects funds comprise \$117.9 million, miscellaneous community development funds total \$1.4 million and the remaining \$39.9 million is distributed among the various special revenue and permanent funds. In aggregate, the governmental funds' fund balances increased by \$10.9 million (+3.3%) when compared to the prior year. The change was predominantly in Other Funds (increasing 86.0%) reflecting the use of funds for approved

capital projects, most notably the new Public Safety Complex. This increase is also attributed to the relatively large increase in grant funding the City received from both the State and Federal governments. 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, 2022

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, 2022, 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	2022	2021	Percent of Total 2022	Change from Prior Year	
				Increase (Decrease)	Percent Change
Taxes, assessments, interest & penalties	\$ 247,503	\$ 234,359	75.06%	\$ 13,144	5.61%
Licenses, permits and inspection charges	3,642	3,300	1.10%	342	10.37%
Intergovernmental revenue	64,455	49,044	19.55%	15,411	31.42%
Charges for services	5,191	5,918	1.57%	(727)	(12.29%)
Fines and forfeitures	2,794	2,738	0.85%	56	2.04%
Other	6,144	8,090	1.86%	(1,946)	(24.06%)
Totals	\$ 329,729	\$ 303,449	100.00%	\$ 26,280	8.66%

A comparison of revenues between FY2022 and FY2021 shows total general government revenues were up by approximately \$26.3 million or 8.66%. Local option sales tax showed the largest real growth, increasing 14.73% in FY2022 compared to FY2021. Intergovernmental revenue, which reflects increased grant funding being earned and awarded, increased by 31.4% (\$15.4 million). Charges for Services are down approximately 12.3% (\$727,000). Property Tax revenue had modest growth during FY2022 at 0.94%.

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, 2022, 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	2022	2021	Percent of Total 2022	Change from Prior Year	
				Increase (Decrease)	Percent Change
Administration	\$ 9,788	\$ 4,959	2.98%	\$ 4,829	97.38%
Finance	7,016	4,180	2.14%	2,836	67.85%
Information Systems	4,591	4,409	1.40%	182	4.13%
Community Development	14,427	11,883	4.40%	2,544	21.41%
South Knoxville Waterfront	356	330	0.11%	26	7.76%
Parks & Recreation	8,387	7,726	2.56%	661	8.56%
Mass Transit	2,351	4,979	0.72%	(2,628)	(52.79%)
Engineering	15,121	13,734	4.61%	1,387	10.10%
Public Services	39,514	36,694	12.05%	2,820	7.69%
Law	3,323	3,167	1.01%	156	4.93%
Police	64,063	60,425	19.53%	3,638	6.02%
Emergency Management	617	501	0.19%	116	23.09%
Fire	45,624	43,585	13.91%	2,039	4.68%
Codes Enforcement	811	683	0.25%	128	18.71%
Legislative	904	1,021	0.28%	(117)	(11.49%)
Civil Service	1,656	1,125	0.50%	531	47.22%
City Elections	416	-	0.13%	416	N/A
Knoxville Partnership	709	641	0.22%	68	10.58%
Metropolitan Planning Commission	1,305	1,267	0.40%	38	2.99%
Knoxville Zoological Park	1,527	1,463	0.47%	64	4.39%
Community Agency Grants	2,143	1,868	0.65%	275	14.74%
Community Action Committee	1,023	969	0.31%	54	5.54%
Tax Increment Payments	2,881	3,004	0.88%	(123)	(4.08%)
Other General Government	19,071	20,031	5.81%	(960)	(4.79%)
Capital and Grant Projects	69,377	44,296	21.15%	25,081	56.62%
Debt service:					
Issuance Costs	135	80	0.04%	55	N/A
Principal retirement	6,404	40,811	1.95%	(34,407)	(84.31%)
Interest on bonds and notes	4,445	1,629	1.36%	2,816	172.84%
Total Expenditures	<u>\$ 327,984</u>	<u>\$ 315,460</u>	<u>100.00%</u>	<u>\$ 12,524</u>	<u>3.97%</u>

Overall, general government expenditures in FY2022 increased by approximately \$12.5 million. The reduction of \$2.6 million in Mass Transit is due to a reduction in services related to a temporary labor shortage which has, in large measure, now been corrected. Community Development expenditures increased by approximately \$2.5 million due to increased grant funding and the corresponding expenditures. Public Safety (Police, Fire, Emergency Management and Codes Enforcement) increased by \$5.9 million due primarily to increased personnel costs. Capital Project expenditures increased by \$25.1 million as a result of receiving the first tranche of American Rescue Plan Act dollars and the corresponding expenditures for various associated projects

Proprietary Funds Statements

Statement of Net Position at June 30, 2022

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, 2022

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 \$6.027 million after transfers.

Statement of Cash Flows for the Year Ended June 30, 2022

The four main business type activities of the City are the Convention Center, Metro Parking, Public Assembly Facilities and the Municipal Golf Courses. The net position of the City's proprietary funds increased by \$6.0 million from FY 2021 to FY 2022. This is primarily attributed to improved economic conditions as the pandemic's effects, in both the state and Knoxville, markedly decreased and citizens began returning to normal activities. The Metro Parking Fund (parking garages) finished the fiscal year with a positive cash flow of \$392,121. Public Assembly Facilities had a \$5,311,271 positive cash flow as the public returned to normal activities and due to transfers. 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 proprietary funds.

Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2022	2021	2022	2021	2022	2021
I. Business-type Activities						
A. Knoxville Convention Center	\$ 15,249	\$ 14,742	\$ 16,862	\$ 14,968	\$ 4,198	\$ 3,729
B. Other (Non-major enterprise funds)						
1. Metro Parking	3,725	3,348	4,220	4,788	130	2
2. Public Assembly Facilities	5,726	1,397	8,789	4,837	6,214	2,738
3. Municipal Golf Courses	1,618	1,511	1,676	1,573	312	392
Total Business-type Activities	26,318	20,999	31,548	26,166	10,854	6,861
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	19,987	16,933	16,217	14,316	(133)	813
2. Risk Management	7,698	6,938	8,444	5,566	3	4
3. Health Insurance	21,029	20,328	20,784	20,558	366	631
4. Equipment Replacement	3,462	3,170	3,468	3,650	856	93
5. City Buildings	2,387	2,267	2,130	2,140	287	300
Total Government-Wide Activities	54,564	49,636	51,043	46,229	1,379	1,842
Totals	\$ 80,882	\$ 70,635	\$ 82,591	\$ 72,395	\$ 12,233	\$ 8,703

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	
	2022	2021	2022	2021	2022	2021
I. Business-type Activities						
A. Knoxville Convention Center	\$ -	\$ -	\$ 2,585	\$ 3,504	\$ 84,199	\$ 81,614
B. Other (Non-major enterprise funds)						
1. Metro Parking	309	400	(56)	(1,038)	29,153	29,209
2. Public Assembly Facilities	92	259	3,243	(444)	25,283	22,040
3. Municipal Golf Courses	-	-	254	330	2,284	2,030
Total Business-type Activities	<u>401</u>	<u>658</u>	<u>6,026</u>	<u>2,352</u>	<u>140,919</u>	<u>134,893</u>
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	25	135	3,662	3,566	91,033	87,371
2. Risk Management	-	-	(743)	1,375	19,122	19,865
3. Health Insurance	-	-	611	402	22,588	21,977
4. Equipment Replacement	1,010	407	1,860	20	35,996	34,136
5. City Buildings	-	-	544	428	3,643	3,099
Total Government-Wide Activities	<u>1,035</u>	<u>542</u>	<u>5,934</u>	<u>5,790</u>	<u>172,382</u>	<u>166,447</u>
Totals	<u>\$ 1,436</u>	<u>\$ 1,200</u>	<u>\$ 11,960</u>	<u>\$ 8,143</u>	<u>\$ 313,301</u>	<u>\$ 301,341</u>

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

	FY2022 Contribution Rates	FY2021 Contribution Rates	Estimated FY2023 Contribution Rates
General Government Employees (Closed)	7.35%	7.27%	7.27%
General Government Employees (Open)	8.83%	8.85%	9.05%
Uniformed Employees (Closed)	17.65%	17.52%	17.56%
Uniformed Employees (Open)	12.96%	12.86%	12.96%

The City's Pension Fund is being funded, as required by the actuary, at 68.86%. The city is currently amortizing the unfunded portion according to an actuarial determined schedule. Beginning in FY18, the unamortized portion of the closed plans began being paid as a direct cost rather than as a percentage of payroll. For FY22 this amount was \$19,411,485 and is estimated at \$19,416,754 in FY23. The actuary performed an experience study for the five years ended July 1, 2021, the results of the study went into effect for July 1, 2022. At the recommendation of this study the amortization of the unfunded liability was reset so that the plan is to be fully funded in 20 years. For comparison purposes, if everything were expressed as a percentage of payroll for the closed plans, it would be 28.88% in FY21 and 29.80% in FY22 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 offsets 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 8.7% for general government and 12.6% for uniformed employees.

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 20 year period and currently has 20 years remaining as of July 1, 2022. As mentioned previously, the actuarial experience study resulted in some recommended changes in the Plan's assumptions and the amortization period. Longer life expectancies and investment the lowering of return on investment assumptions contributed to the increase in the overall pension liability. The investment return assumption for FY22 is 7.25%, but will decrease by .05% for the next five years until reaching 7.0% in FY28. For the next several years, the amortization of the unfunded liability will cause the contributions to increase before leveling off.

General Fund Budgetary Highlights

During the year there was \$9,195,251 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, 2022

Department	Carry Forward of Prior Year Encumbrances	Other	Total Changes
Administration	\$ 339,741	\$ 3,890,520	\$ 4,230,261
Finance	32,354	87,344	119,698
Information Systems	22,785	15,000	37,785
Community Development	763,073	7,145	770,218
Public Service	85,723	233,658	319,381
Engineering	88,971	120,098	209,069
Inspections	74	-	74
Parks and Recreation	45,765	23,732	69,497
Mass Transit	-	300,000	300,000
Law	34,198	232,000	266,198
Police	194,526	255,873	450,399
Fire	30,664	-	30,664
Legislative	14,958	(0)	14,958
Civil Service	12,516	(11,720)	796
Human Resources	(169)	1,669	1,500
City Elections	-	20,000	20,000
Knoxville Zoo	-	13,000	13,000
Agency Grants	-	100,000	100,000
Other Non-Departmental	-	(324,840)	(324,840)
Community Action Committee (CAC)	-	-	-
Transfers	-	2,566,594	2,566,594
Total General Fund	\$ 1,665,178	\$ 7,530,073	\$ 9,195,251

Approximately 18% of the change in budget amendments are due to the reappropriation of prior year encumbrances (\$1,665,178) and are reflected in multiple city departments. The Administration budget increase of (\$4,230,261) is to comply with new lease reporting requirements related to GASB 87. The Police budget increase (\$255,873) is primarily related to \$150,000 appropriated to support the design of a Real Time Crime Center to respond to rising gun violence related to the pandemic and \$105,000 to fund 12 new cadet positions in the Knoxville Police Department. The increase in Transfers (\$2,566,594) was driven by a \$2,500,000 transfer to offset the initial estimate and final contract price of the Public Safety Complex capital project.

Capital Asset and Debt Administration

As of June 30, 2022, the primary government had net investment of \$631.9 million in capital assets. Buildings and Improvements increased by \$1.93 million. This increase is due primarily to the completion of roof repairs at Fire Station #21 and other City-owned facilities (\$204K), improvements at the Public Works Complex (\$141K) and maintenance at various Fire Stations (\$155K). Equipment, furniture, and fixtures increased by \$5.58 million. This increase is due primarily to the purchase of hybrid or fully electric buses for KAT's fleet. Infrastructure increased by \$24.57 million resulting from infrastructure projects completed in FY22 primarily, the Coker Ave Sidewalk Project (\$800K), the Jackson Avenue Ramps project (\$8.21 million), Amherst Road Slope Stabilization Project (\$1.01 million), Northwest Greenway Connector Project (\$1.13 million), the City's ongoing Paving Program (\$6.53 million), and the City South Improvements Project (\$1.86 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 \$55.6 million. The majority of this increase is due to infrastructure improvements as part of the Austin Homes Redevelopment (\$3.44M), work on the new Public Safety Complex (\$38.25M), and the Waterfront Drive redevelopment (\$1.21M). 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	
	2022	2021	2022	2021	2022	2021
Land and site improvements	\$ 85,150	\$ 85,030	\$ 7,686	\$ 7,686	\$ 92,836	\$ 92,716
Buildings and improvements	83,161	81,585	233,998	233,647	317,158	315,232
Equipment, furniture & fixtures	138,384	133,003	11,685	11,486	150,069	144,489
Infrastructure	518,903	494,381	31,809	31,762	550,712	526,143
Construction in progress	83,892	38,800	-	6	83,892	38,806
Less accumulated depreciation	(417,091)	(391,365)	(145,652)	(138,290)	(562,743)	(529,655)
Totals	<u>\$ 492,399</u>	<u>\$ 441,434</u>	<u>\$ 139,525</u>	<u>\$ 146,297</u>	<u>\$ 631,925</u>	<u>\$ 587,731</u>

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	
	2022	2021	2022	2021	2022	2021
Beginning balance	\$ 827,285	\$ 791,070	\$ 284,587	\$ 282,244	\$ 1,111,872	\$ 1,073,314
Additions	120,136	49,101	597	3,187	120,733	52,288
Deletions	(37,931)	(7,372)	(6)	(845)	(37,937)	(8,217)
Balance before depreciation	909,490	832,799	285,177	284,586	1,194,668	1,117,385
Accumulated depreciation	(417,091)	(391,365)	(145,652)	(138,290)	(562,743)	(529,655)
Balance after depreciation	<u>\$ 492,399</u>	<u>\$ 441,434</u>	<u>\$ 139,525</u>	<u>\$ 146,296</u>	<u>\$ 631,924</u>	<u>\$ 587,730</u>

As of the year-end, the City's Total Primary Government had \$180.7 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	
	2022	2021	2022	2021	2022	2021
Current - Due in 1 year:						
General Obligation Bonds	7,575	\$ 6,130	5,900	\$ 5,375	\$ 13,475	\$ 11,505
Non Current - Due in more than 1 year:						
General Obligation Bonds	95,120	85,995	69,700	75,600	164,820	161,595
Section 108 Loan	2,390	2,560	-	-	2,390	2,560
Total Non Current	<u>97,510</u>	<u>88,555</u>	<u>69,700</u>	<u>75,600</u>	<u>167,210</u>	<u>164,155</u>
Subtotal	105,085	94,685	75,600	80,975	180,685	175,660
Unamortized Premiums, Discounts and Gain on Refunding	17,931	17,411	2,235	2,354	20,166	19,765
Total Long Term Debt	<u>\$ 123,016</u>	<u>\$ 112,096</u>	<u>\$ 77,835</u>	<u>\$ 83,329</u>	<u>\$ 200,851</u>	<u>\$ 195,425</u>

Ratings on the City's General Obligation Bonded debt are depicted below and it is noteworthy that Standard & Poor's upgraded the City's rating from AA+ in FY 21 to AAA in FY 22

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

	<u>2022</u>	<u>2021</u>
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AAA	AA+
Fitch Ratings	AAA	AAA

Economic Factors

In FY 2022, the City was well on its way to fully recovering from the effects of the pandemic and this rebound continues. Federal and State virus relief efforts assisted in this effort and the continued growth of sales taxes were important as well. While some economists predict a post pandemic recession across much of the nation, the City of Knoxville is somewhat insulated from such effects as Knoxville is not a boom or bust City. Specifically, revenues only marginally affected by the pandemic and the overall financial status remains optimistic. This is due to many factors such as major new developments in the city, the rebound of the tour-

ism industry (hotels and restaurants), the creation of more housing, improvement in entertainment venues within the city, and a steady influx of people (primarily young adults ages 20-44) from other states.

As with most local governments, the largest source of revenue for the City is taxes. This category represents \$225 million or 87.49% of the total operating revenue to the General Fund. The largest amount comes from property taxes. Property taxes are divided among real property, personal property, and public utilities. The growth rate for assessed value on real estate has generally been relatively moderate, a trend that is expected to continue. In FY2022 the taxable value of real property increased by 0.40% and the overall tax roll increased by 0.32%. 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 as persons continue to move to the greater Knoxville area from other states. 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. 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 \$56.94 million or 22.13% of total General Fund revenues. This source, in both Tennessee and the greater Knoxville area, came in much higher than anticipated for FY2022. Growth in local option sales tax revenue in FY2022 increased by 14.73%, or approximately \$7 million when compared to FY2021. Going forward we forecast that the growth will slow a bit to approximately 5%.

The third largest revenue category of the General Fund is intergovernmental revenue, and accounts for \$28.6 million or 11.10% of total revenue. When compared to FY2021 this represents a decrease of approximately \$5.27 million or 15.58%. Part of this decrease resulted because the Hall income tax for the State of Tennessee (a tax on investments) was phased out at the end of FY 2021 and thus the City received no revenue from this source in FY 2022. Specifically, the elimination of the Hall Income Tax caused a decrease in revenue of \$2.167 million.

Other revenue sources include fines and forfeitures and miscellaneous revenue items remain constant. Charges for Services was flat to FY2021.

In summary, the revenue picture is relatively good in most areas. Revenues are expected to maintain modest growth levels. The largest concerns on the expenditure side of the ledger remain 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.

An 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 20 year period and currently has 20 years remaining as of July 1, 2022. The remaining years of the amortization period increased by 3 years because, following the example of the State of Tennessee, the City decided to lower the Pension "discount rate or return on investment forecast" by 50 basis points over the next five years which will, of course, increase the amount of unfunded pension liability payments before these contributions level 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 in salaries. This requirement typically results in increased costs. The City has maintained staffing levels at a fairly consistent level over the past years and recently increased the property sales tax amount to fully fund the results of a compensation plan to increase pay for employees in order to attract and retain top quality employees. 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, 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 counties. The area normally bustles with many entertainment offerings and numerous restaurants.

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, 2022

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Assets					
Cash and cash equivalents	\$ 32,271,172	\$ 13,239,039	\$ 45,510,211	\$ 193,186,961	\$ 238,697,172
Investments	435,008,064	75,790,221	510,798,285	136,743,160	647,541,445
Receivables (net of allowance for uncollectibles):					
Accounts	8,398,579	3,292,307	11,690,886	113,051,611	124,742,497
Taxes	182,520,299	-	182,520,299	-	182,520,299
Notes and leases	21,873,164	-	21,873,164	-	21,873,164
TVA conservation program	-	-	-	575,535	575,535
Other	-	-	-	1,250,187	1,250,187
Internal balances	9,536,772	(9,536,772)	-	-	-
Due from component units	11,948,352	-	11,948,352	-	11,948,352
Current portion of lease receivable	-	-	-	723,323	723,323
Inventories	2,820,232	133,640	2,953,872	20,648,678	23,602,550
Prepaid items	-	140,991	140,991	11,625,280	11,766,271
Equity interest in joint venture	1,517,007	264,335	1,781,342	-	1,781,342
Deferred charges	-	-	-	861,716	861,716
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	50,897,783	50,897,783
Receivables	-	-	-	696,732	696,732
Other	-	-	-	1,515	1,515
Net pension asset	-	-	-	64,137,714	64,137,714
Long-term lease receivable	-	-	-	12,594,569	12,594,569
Other assets	-	-	-	14,601,022	14,601,022
Intangible assets:					
Intangible right of use lease asset	3,020,698	-	3,020,698	4,587,687	7,608,385
Less accumulated amortization	(335,633)	-	(335,633)	(689,074)	(1,024,707)
Capital assets:					
Land and site improvements	85,150,233	7,686,303	92,836,536	289,128,473	381,965,009
Buildings and improvements	83,160,633	233,997,612	317,158,245	216,416,821	533,575,066
Utility plant in service	-	-	-	3,149,275,765	3,149,275,765
Equipment, furniture and fixtures	138,384,173	11,684,959	150,069,132	94,351,958	244,421,090
Infrastructure and site improvements	518,902,856	31,809,032	550,711,888	557,914	551,269,802
Construction in progress	83,892,247	-	83,892,247	184,497,784	268,390,031
Less accumulated depreciation	(417,090,959)	(145,652,114)	(562,743,073)	(1,356,850,256)	(1,919,593,329)
Total assets	1,200,977,889	222,849,553	1,423,827,442	3,204,171,001	4,627,998,443
Deferred outflows of resources					
Pensions	37,668,769	-	37,668,769	7,842,910	45,511,679
Other postemployment benefits	4,417,714	-	4,417,714	5,209,694	9,627,408
Unamortized bond refunding	-	-	-	14,687,019	14,687,019
Total deferred outflows of resources	42,086,483	-	42,086,483	27,739,623	69,826,106
Liabilities					
Accounts payable	18,480,590	2,402,290	20,882,880	101,887,657	122,770,537
Matured principal and interest on bonds	-	-	-	12,731,785	12,731,785
Accrued liabilities	5,717,328	676,256	6,393,584	33,070,640	39,464,224
Due to primary government	-	-	-	11,948,352	11,948,352
Due to other governmental agencies	526,371	-	526,371	-	526,371
Customer deposits, plus accrued interest	829,898	252,047	1,081,945	23,259,401	24,341,346
Accrued interest	1,333,903	370,265	1,704,168	58,720	1,762,888
Unearned revenue	-	190,651	190,651	-	190,651
Noncurrent liabilities due within one year:					
Lease liability	269,919	-	269,919	844,904	1,114,823
Long-term debt due within one year	8,724,669	6,127,731	14,852,400	42,765,000	57,617,400
Other noncurrent liabilities due within one year	12,040,971	6,981	12,047,952	114,402,894	126,450,846
Noncurrent liabilities due in more than one year:					
Lease liability	2,476,285	-	2,476,285	3,215,556	5,691,841
Long-term debt due in more than one year	114,291,106	71,707,538	185,998,644	1,039,400,000	1,225,398,644
Other noncurrent liabilities due in more than one year	19,149,307	-	19,149,307	26,487,668	45,636,975
Net pension liability	139,255,037	-	139,255,037	-	139,255,037
Other postemployment benefits liability	18,510,370	-	18,510,370	11,202,507	29,712,877
Total liabilities	341,605,754	81,733,759	423,339,513	1,421,275,084	1,844,614,597
Deferred inflows of resources					
Pensions	47,919,041	-	47,919,041	39,528,961	87,448,002
Lease inflow	-	-	-	13,125,299	13,125,299
Other postemployment benefits	130,353	-	130,353	-	130,353
Deferred revenue	15,706,561	-	15,706,561	-	15,706,561
Bond refunding gain	1,316,703	196,270	1,512,973	-	1,512,973
Unamortized bond refunding costs	-	-	-	1,531,357	1,531,357
Assessed and unlevied property taxes	171,665,549	-	171,665,549	550,592	172,216,141
Total deferred inflows of resources	236,738,207	196,270	236,934,477	54,736,209	291,670,686
Net position					
Net investment in capital assets	371,712,269	61,690,523	433,402,792	1,393,425,469	1,826,828,261
Restricted for:					
Debt service	-	-	-	22,341,750	22,341,750
Park maintenance:					
Nonexpendable	624,063	-	624,063	-	624,063
Expendable	383,125	-	383,125	-	383,125
Community development	2,929,811	-	2,929,811	-	2,929,811
Streets	4,314,836	-	4,314,836	-	4,314,836
Solid waste	4,486,126	-	4,486,126	-	4,486,126
Miscellaneous special revenue	5,534,101	-	5,534,101	-	5,534,101
Other	-	-	-	16,522,496	16,522,496
Unrestricted	274,736,080	79,229,001	353,965,081	323,609,616	677,574,697
Total net position	\$ 664,720,411	\$ 140,919,524	\$ 805,639,935	\$ 1,755,899,331	\$ 2,561,539,266

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General Government	\$ 47,471,319	\$ 1,245,515	\$ 943,355	\$ -
Public Safety	99,879,895	6,235,434	236,896	491,338
Physical Environment	56,688,968	2,748,199	-	3,474,796
Transportation	3,373,400	406,394	-	-
Economic Development	16,885,584	4,969	7,472,535	2,989,108
Parks & Recreation	13,285,219	583,151	-	-
Health & Sanitation	10,571,264	60,846	-	81,713
Interest on long-term debt	4,316,928	-	-	-
Total governmental activities	<u>252,472,577</u>	<u>11,284,508</u>	<u>8,652,786</u>	<u>7,036,955</u>
Business-type activities:				
Metro Parking	4,220,022	3,709,009	-	-
Public Assembly Facilities	8,788,830	4,850,085	-	-
Knoxville Convention Center	17,012,360	4,703,685	1,500,000	-
Municipal Golf Courses	1,676,331	1,569,171	-	-
Total business-type activities	<u>31,697,543</u>	<u>14,831,950</u>	<u>1,500,000</u>	<u>-</u>
Total primary government	<u>\$ 284,170,120</u>	<u>\$ 26,116,458</u>	<u>\$ 10,152,786</u>	<u>\$ 7,036,955</u>
Combined discretely presented component units	<u>\$ 914,275,726</u>	<u>\$ 953,683,392</u>	<u>\$ 6,245,374</u>	<u>\$ 69,846,028</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, as restated
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 Discretely Presented Component Units	Total Reporting Unit
Governmental Activities	Business-type Activities	Total		
\$ (45,282,449)	\$ -	\$ (45,282,449)	\$ -	\$ (45,282,449)
(92,916,227)	-	(92,916,227)	-	(92,916,227)
(50,465,973)	-	(50,465,973)	-	(50,465,973)
(2,967,006)	-	(2,967,006)	-	(2,967,006)
(6,418,972)	-	(6,418,972)	-	(6,418,972)
(12,702,068)	-	(12,702,068)	-	(12,702,068)
(10,428,705)	-	(10,428,705)	-	(10,428,705)
(4,316,928)	-	(4,316,928)	-	(4,316,928)
<u>(225,498,328)</u>	<u>-</u>	<u>(225,498,328)</u>	<u>-</u>	<u>(225,498,328)</u>
-	(511,013)	(511,013)	-	(511,013)
-	(3,938,745)	(3,938,745)	-	(3,938,745)
-	(10,808,675)	(10,808,675)	-	(10,808,675)
-	(107,160)	(107,160)	-	(107,160)
-	(15,365,593)	(15,365,593)	-	(15,365,593)
<u>(225,498,328)</u>	<u>(15,365,593)</u>	<u>(240,863,921)</u>	<u>-</u>	<u>(240,863,921)</u>
-	-	-	115,499,068	115,499,068
156,175,484	-	156,175,484	-	156,175,484
114,046,437	1,107,129	115,153,566	-	115,153,566
-	1,812,876	1,812,876	-	1,812,876
299,904	6,595,175	6,895,079	-	6,895,079
1,784,565	-	1,784,565	-	1,784,565
15,860,651	-	15,860,651	-	15,860,651
9,854,307	-	9,854,307	-	9,854,307
1,541,252	-	1,541,252	-	1,541,252
4,265,762	866,093	5,131,855	(3,072,588)	2,059,267
(378,342)	157,268	(221,074)	1,490,761	1,269,687
709,597	-	709,597	-	709,597
(10,853,805)	10,853,805	-	-	-
<u>293,305,812</u>	<u>21,392,346</u>	<u>314,698,158</u>	<u>(1,581,827)</u>	<u>313,116,331</u>
67,807,484	6,026,753	73,834,237	113,917,241	187,751,478
596,912,927	134,892,771	731,805,698	1,641,982,090	2,373,787,788
<u>\$ 664,720,411</u>	<u>\$ 140,919,524</u>	<u>\$ 805,639,935</u>	<u>\$ 1,755,899,331</u>	<u>\$ 2,561,539,266</u>

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	<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	\$ 9,882,208	\$ 100	\$ 7,557,309	\$ 2,326,045	\$ 7,649,561	\$ 27,415,223
Investments	100,462,429	72,627,149	88,775,643	1,128,012	26,719,488	289,712,721
Accounts receivable	1,002,804	104,183	3,029,356	605,197	3,341,724	8,083,264
Taxes receivable	170,388,426	12,131,873	-	-	-	182,520,299
Notes receivable	8,033,184	-	-	10,134,769	3,705,211	21,873,164
Due from other funds	1,202,470	-	19,654,660	-	9,453,853	30,310,983
Due from component unit	-	-	11,948,352	-	-	11,948,352
Inventories	535,631	-	161,100	-	437,896	1,134,627
Total assets	<u>\$ 291,507,152</u>	<u>\$ 84,863,305</u>	<u>\$ 131,126,420</u>	<u>\$ 14,194,023</u>	<u>\$ 51,307,733</u>	<u>\$ 572,998,633</u>
Liabilities						
Accounts payable	\$ 4,208,886	\$ -	\$ 9,615,632	\$ 309,469	\$ 1,897,225	\$ 16,031,212
Accrued liabilities	3,413,275	-	1,555,806	11,991	363,323	5,344,395
Customer deposits	-	-	-	-	829,898	829,898
Due to other funds	7,104,913	8,867,166	98,562	247,807	4,419,540	20,737,988
Due to other governmental agencies	542,540	2,586	-	-	18,242	563,368
Total liabilities	<u>15,269,614</u>	<u>8,869,752</u>	<u>11,270,000</u>	<u>569,267</u>	<u>7,528,228</u>	<u>43,506,861</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	161,619,052	12,024,031	-	-	-	173,643,083
Unavailable revenue - other	-	-	1,943,716	12,240,706	3,912,139	18,096,561
Total deferred inflows of resources	<u>161,619,052</u>	<u>12,024,031</u>	<u>1,943,716</u>	<u>12,240,706</u>	<u>3,912,139</u>	<u>191,739,644</u>
Fund Balances						
Non-spendable	535,631	-	161,100	-	1,061,959	1,758,690
Restricted	1,545,761	-	-	1,384,050	14,718,188	17,647,999
Committed	63,294,566	63,969,522	117,751,604	-	23,434,175	268,449,867
Assigned	22,502,609	-	-	-	653,044	23,155,653
Unassigned	26,739,919	-	-	-	-	26,739,919
Total fund balances	<u>114,618,486</u>	<u>63,969,522</u>	<u>117,912,704</u>	<u>1,384,050</u>	<u>39,867,366</u>	<u>337,752,128</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 291,507,152</u>	<u>\$ 84,863,305</u>	<u>\$ 131,126,420</u>	<u>\$ 14,194,023</u>	<u>\$ 51,307,733</u>	<u>\$ 572,998,633</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, 2022**

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

Fund balance - governmental funds		\$337,752,128
Capital assets and right-of-use leased assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.		449,667,643
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.		4,367,534
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.		172,381,008
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.		(1,333,903)
Pension and other postemployment benefit obligation amounts not reported in the funds:		
Net pension liability		(136,057,148)
Other postemployment benefits obligation		(18,510,370)
Deferred outflows of resources related to pensions		36,803,734
Deferred outflows of resources related to other postemployment benefits		4,417,714
Deferred inflows of resources related to pensions		(46,818,616)
Deferred inflows of resources related to other postemployment benefits		(130,353)
Long-term liabilities, including bonds payable, leases and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation debt	(105,085,000)	
Lease liability	(2,746,204)	
Discounts and premiums (net)	(17,930,775)	
Deferred inflows of resources related to refunding gain	(1,316,703)	
Compensated absences	(10,740,278)	(137,818,960)
Net position - governmental activities		<u>\$ 664,720,411</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, 2022

	General Fund	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, assessments, interest & penalties	\$ 225,115,890	\$ 15,742,964	\$ -	\$ -	\$ 6,644,639	\$ 247,503,493
Licenses, permits & inspection charges	347,780	-	-	-	3,294,580	3,642,360
Intergovernmental	28,563,049	-	2,989,108	3,123,116	29,779,517	64,454,790
Charge for services	1,612,827	-	-	73,814	3,504,140	5,190,781
Fines & forfeitures	653,504	-	-	-	2,140,372	2,793,876
Other	1,008,435	376,882	3,494,568	62,037	1,201,734	6,143,656
Total revenues	<u>257,301,485</u>	<u>16,119,846</u>	<u>6,483,676</u>	<u>3,258,967</u>	<u>46,564,982</u>	<u>329,728,956</u>
Expenditures:						
Current:						
Administration	6,118,595	-	-	-	3,669,404	9,787,999
Finance	4,556,132	-	-	-	2,460,195	7,016,327
Information Systems	4,590,878	-	-	-	-	4,590,878
Community Development	7,455,766	-	-	3,477,259	3,494,338	14,427,363
Waterfront	355,615	-	-	-	-	355,615
Parks & Recreation	8,238,140	-	-	-	148,990	8,387,130
Mass Transit	2,350,760	-	-	-	-	2,350,760
Engineering	7,991,842	-	-	-	7,129,032	15,120,874
Public Services	26,329,403	-	-	-	13,184,927	39,514,330
Law	2,332,591	-	-	-	990,656	3,323,247
Police	61,432,388	-	-	-	2,630,220	64,062,608
Emergency Management	604,458	-	-	-	12,198	616,656
Fire	45,182,883	-	-	-	441,176	45,624,059
Codes enforcement	810,822	-	-	-	-	810,822
Legislative	899,454	-	-	-	4,200	903,654
Civil Service	1,656,187	-	-	-	-	1,656,187
City Elections	415,740	-	-	-	-	415,740
Knoxville Partnership	708,800	-	-	-	-	708,800
Metropolitan Planning Commission	1,304,900	-	-	-	-	1,304,900
Knoxville Zoological Park	1,527,172	-	-	-	-	1,527,172
Community Agency Grants	2,143,408	-	-	-	-	2,143,408
Community Action Committee	1,022,640	-	-	-	-	1,022,640
Tax Increment Payments	2,881,440	-	-	-	-	2,881,440
Other general government	19,070,784	-	-	-	-	19,070,784
Capital & grant projects	3,020,698	-	66,356,316	-	-	69,377,014
Debt service and leases:						
Issuance costs	-	134,764	-	-	-	134,764
Principal retirement	274,494	6,130,000	-	-	-	6,404,494
Interest payments	66,021	4,378,502	-	-	-	4,444,523
Total expenditures	<u>213,342,011</u>	<u>10,643,266</u>	<u>66,356,316</u>	<u>3,477,259</u>	<u>34,165,336</u>	<u>327,984,188</u>
Excess (deficiency) of revenues over (under) expenditures	43,959,474	5,476,580	(59,872,640)	(218,292)	12,399,646	1,744,768
Other financing sources (uses)						
Lease proceeds	3,020,698	-	-	-	-	3,020,698
Bonds proceeds	-	16,803,499	-	-	-	16,803,499
Debt issue premium	-	1,499,319	-	-	-	1,499,319
Transfers in	5,220,708	1,480,880	49,207,661	-	13,261,373	69,170,622
Transfers out	(46,484,418)	(27,368,054)	(323,730)	-	(7,227,068)	(81,403,270)
Total other financing sources (uses)	<u>(38,243,012)</u>	<u>(7,584,356)</u>	<u>48,883,931</u>	<u>-</u>	<u>6,034,305</u>	<u>9,090,868</u>
Net change in fund balances	5,716,462	(2,107,776)	(10,988,709)	(218,292)	18,433,951	10,835,636
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 114,618,486</u>	<u>\$ 63,969,522</u>	<u>\$ 117,912,704</u>	<u>\$ 1,384,050</u>	<u>\$ 39,867,366</u>	<u>\$ 337,752,128</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, 2022**

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

Net change in fund balances - total governmental funds	\$ 10,835,636
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 (\$71,632,360) exceeds depreciation expenses (\$20,443,919).	51,188,440
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,948
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(14,784,258)
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.	(48,151)
Negative pension expense not reported in the funds	15,573,081
Other postemployment benefit income (expense) not reported in the funds	(914,320)
The internal service fund is used by management to charge the costs of fleet maintenance.	3,661,973
The internal service fund is used by management to charge the costs of risk management.	(743,490)
The internal service fund is used by management to charge the costs of employee health insurance.	610,914
The internal service fund is used by management to charge the costs of equipment replacement.	1,860,268
The internal service fund is used by management to charge the costs of City buildings.	<u>544,443</u>
Change in net position - governmental activities	<u>\$ 67,807,484</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, 2022

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	\$ 118,098,650	\$ 118,098,650	\$ 113,876,803	\$ -	\$ 113,876,803	\$ (4,221,847)
Prior years	4,643,350	4,643,350	4,083,789	-	4,083,789	(559,561)
Business taxes	7,585,700	7,585,700	9,852,059	-	9,852,059	2,266,359
Local shared sales tax	47,015,000	47,015,000	56,944,457	-	56,944,457	9,929,457
Alcoholic beverage taxes	13,765,000	13,765,000	15,860,651	-	15,860,651	2,095,651
Payments in lieu of taxes	22,021,250	22,021,250	22,956,879	-	22,956,879	935,629
Franchise fees	1,600,000	1,600,000	1,541,252	-	1,541,252	(58,748)
Intergovernmental -						
Federal	895,000	895,000	561,124	-	561,124	(333,876)
State -						
Sales tax	18,126,000	18,126,000	22,137,034	-	22,137,034	4,011,034
Income tax	-	-	25,259	-	25,259	25,259
Other	3,470,120	3,470,120	5,244,242	-	5,244,242	1,774,122
Local	364,810	364,810	595,390	-	595,390	230,580
Licenses and permits	318,450	318,450	347,780	-	347,780	29,330
Fines & forfeits	550,860	550,860	653,504	-	653,504	102,644
Charges for services	1,676,680	1,676,680	1,612,827	-	1,612,827	(63,853)
Other -						
Interest	597,520	597,520	(770,653)	-	(770,653)	(1,368,173)
Rents & concessions	91,700	91,700	211,803	-	211,803	120,103
Miscellaneous	72,880	5,850,950	1,567,285	-	1,567,285	(4,283,665)
Total revenues	<u>240,892,970</u>	<u>246,671,040</u>	<u>257,301,485</u>	<u>-</u>	<u>257,301,485</u>	<u>10,630,445</u>
Expenditures						
Current -						
Administration	6,516,750	7,349,340	6,118,595	512,988	6,631,583	717,757
Finance	5,017,840	5,129,589	4,556,132	212,859	4,768,991	360,598
Information systems	4,910,830	4,947,255	4,590,878	42,313	4,633,191	314,064
Community development	6,997,250	10,574,019	7,455,766	4,463,053	11,918,819	(1,344,800)
Waterfront	444,560	444,580	355,615	-	355,615	88,965
Parks & recreation	8,503,360	8,555,057	8,238,140	(54,410)	8,183,730	371,327
Mass transit	2,050,760	2,350,760	2,350,760	-	2,350,760	-
Public services	27,848,530	27,759,001	26,329,403	46,310	26,375,713	1,383,288
Engineering	8,258,900	8,454,039	7,991,842	268,875	8,260,717	193,322
Law	2,147,620	2,413,619	2,332,591	50,275	2,382,866	30,753
Police	60,661,360	61,097,361	61,432,388	502,954	61,935,342	(837,981)
Emergency management	653,550	627,378	604,458	3,892	608,350	19,028
Fire	43,979,610	43,712,413	45,182,883	203	45,183,086	(1,470,673)
Codes enforcement	906,480	906,554	810,822	(47)	810,775	95,779
Legislative	1,120,150	1,135,109	899,454	14,926	914,380	220,729
Civil service	1,553,460	1,559,216	1,656,187	-	1,656,187	(96,971)
Nondepartmental -						
City elections	500,000	520,000	415,740	98,042	513,782	6,218
Knoxville partnership	731,300	731,300	708,800	22,500	731,300	-
Metropolitan planning commission	1,304,900	1,304,900	1,304,900	-	1,304,900	-
Knoxville zoological gardens	1,500,000	1,527,190	1,527,172	-	1,527,172	18
Community agency grants	2,045,500	2,145,500	2,143,408	-	2,143,408	2,092
Community action committee	1,022,640	1,022,640	1,022,640	-	1,022,640	-
Tax increment payments	3,245,710	3,295,710	2,881,440	-	2,881,440	414,270
Other general government	21,862,330	19,595,955	19,070,784	-	19,070,784	525,171
Capital and grant projects	-	3,020,700	3,020,698	-	3,020,698	2
Leases						
Leases - principal	-	274,494	274,494	-	274,494	-
Leases - interest	-	66,021	66,021	-	66,021	-
Total expenditures	<u>213,783,390</u>	<u>220,519,700</u>	<u>213,342,011</u>	<u>6,184,733</u>	<u>219,526,744</u>	<u>992,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,109,580</u>	<u>26,151,340</u>	<u>43,959,474</u>	<u>(6,184,733)</u>	<u>37,774,741</u>	<u>11,623,401</u>
Other Financing Sources (Uses)						
Lease proceeds	-	-	3,020,698	-	3,020,698	3,020,698
Transfers in	15,003,520	19,942,814	5,220,708	-	5,220,708	(14,722,106)
Transfers out	(55,183,140)	(60,448,374)	(46,484,418)	-	(46,484,418)	13,963,956
Appropriated fund balance	13,070,040	14,354,220	-	-	-	(14,354,220)
Total other financing sources (uses)	<u>(27,109,580)</u>	<u>(26,151,340)</u>	<u>(38,243,012)</u>	<u>-</u>	<u>(38,243,012)</u>	<u>(12,091,672)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>5,716,462</u>	<u>(6,184,733)</u>	<u>(468,271)</u>	<u>\$ (468,271)</u>
Fund balance - beginning			<u>108,902,024</u>	<u>-</u>	<u>108,902,024</u>	
Fund balance - ending			<u>\$ 114,618,486</u>	<u>\$ (6,184,733)</u>	<u>\$ 108,433,753</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Intergovernmental	\$ 1,275,140	\$ 1,275,140	\$ 3,123,116	\$ 1,847,976
Charges for services	500,000	500,000	73,814	(426,186)
Other	-	-	62,037	62,037
Total revenues	<u>1,775,140</u>	<u>1,775,140</u>	<u>3,258,967</u>	<u>1,483,827</u>
Expenditures				
Current:				
Community Development	<u>1,775,140</u>	<u>1,775,140</u>	<u>3,477,259</u>	<u>(1,702,119)</u>
Total expenditures	<u>1,775,140</u>	<u>1,775,140</u>	<u>3,477,259</u>	<u>(1,702,119)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(218,292)</u>	<u>(218,292)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(218,292)</u>	<u>\$ (218,292)</u>
Fund balances - beginning			<u>1,602,342</u>	
Fund balances - ending			<u>\$ 1,384,050</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Assets				
Current assets:				
Cash & temporary investments	\$ 4,341,484	\$ 8,897,555	\$ 13,239,039	\$ 4,855,949
Investments	61,738,997	14,051,224	75,790,221	145,295,343
Accounts receivable	2,856,411	435,896	3,292,307	315,315
Due from other funds	-	-	-	3,200
Inventories	112,560	21,080	133,640	1,685,605
Prepaid items	39,527	101,464	140,991	-
Total current assets	<u>69,088,979</u>	<u>23,507,219</u>	<u>92,596,198</u>	<u>152,155,412</u>
Noncurrent assets:				
Land and site improvements	3,302,020	4,384,283	7,686,303	-
Buildings and improvements	161,417,617	72,579,995	233,997,612	257,391
Equipment, furniture and fixtures	6,183,087	5,501,872	11,684,959	115,414,325
Infrastructure and site improvements	30,605,945	1,203,087	31,809,032	-
Construction in progress	-	-	-	3,097,076
Less: accumulated depreciation	<u>(98,754,221)</u>	<u>(46,897,893)</u>	<u>(145,652,114)</u>	<u>(73,352,187)</u>
Total capital assets (net of accumulated depreciation):	102,754,448	36,771,344	139,525,792	45,416,605
Equity interest in joint venture	264,335	-	264,335	1,517,007
Total noncurrent assets	<u>103,018,783</u>	<u>36,771,344</u>	<u>139,790,127</u>	<u>46,933,612</u>
Total assets	<u>172,107,762</u>	<u>60,278,563</u>	<u>232,386,325</u>	<u>199,089,024</u>
Deferred outflows of resources				
Pensions	-	-	-	865,035
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>865,035</u>
Liabilities				
Current liabilities:				
Accounts payable	1,514,349	887,941	2,402,290	2,449,378
Accrued liabilities	370,265	683,237	1,053,502	372,933
Customer deposits	252,047	-	252,047	-
Unearned revenue	27,076	163,575	190,651	-
Due to other funds	7,713,101	1,823,671	9,536,772	2,426
Long-term debt due within one year	6,127,731	-	6,127,731	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	<u>16,004,569</u>	<u>3,558,424</u>	<u>19,562,993</u>	<u>7,924,737</u>
Noncurrent liabilities:				
Long-term debt due in more than one year	71,707,538	-	71,707,538	-
Estimated claims liability	-	-	-	15,350,000
Net pension liability	-	-	-	3,197,889
Total noncurrent liabilities	<u>71,707,538</u>	<u>-</u>	<u>71,707,538</u>	<u>18,547,889</u>
Total liabilities	<u>87,712,107</u>	<u>3,558,424</u>	<u>91,270,531</u>	<u>26,472,626</u>
Deferred inflows of resources				
Pensions	-	-	-	1,100,425
Bond refunding gain	196,270	-	196,270	-
Total deferred inflows of resources	<u>196,270</u>	<u>-</u>	<u>196,270</u>	<u>1,100,425</u>
NET POSITION				
Net investment in capital assets	24,919,179	36,771,344	61,690,523	45,416,605
Unrestricted	<u>59,280,206</u>	<u>19,948,795</u>	<u>79,229,001</u>	<u>126,964,403</u>
Total net position	<u>\$ 84,199,385</u>	<u>\$ 56,720,139</u>	<u>\$ 140,919,524</u>	<u>\$ 172,381,008</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, 2022

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating revenues				
Charges for services	\$ 4,703,685	\$ 10,128,265	\$ 14,831,950	\$ 53,333,769
Total operating revenues	<u>4,703,685</u>	<u>10,128,265</u>	<u>14,831,950</u>	<u>53,333,769</u>
Operating expenses				
Personal services	-	196,962	196,962	4,747,029
Materials & supplies	95,020	140,560	235,580	5,149,441
Depreciation & amortization	4,753,724	2,608,054	7,361,778	9,869,640
Other operating expenses	10,739,376	11,739,607	22,478,983	31,258,230
Total operating expenses	<u>15,588,120</u>	<u>14,685,183</u>	<u>30,273,303</u>	<u>51,024,340</u>
Operating income (loss)	<u>(10,884,435)</u>	<u>(4,556,918)</u>	<u>(15,441,353)</u>	<u>2,309,429</u>
Nonoperating revenues (expense)				
Interest income	129,556	27,712	157,268	319,461
Intergovernmental revenue	10,566,657	47,285	10,613,942	-
Other revenues (expenses)	(149,999)	866,093	716,094	891,619
Interest expense	(1,274,241)	-	(1,274,241)	-
Total nonoperating revenues (expenses)	<u>9,271,973</u>	<u>941,090</u>	<u>10,213,063</u>	<u>1,211,080</u>
Income (loss) before transfers and capital contributions	<u>(1,612,462)</u>	<u>(3,615,828)</u>	<u>(5,228,290)</u>	<u>3,520,509</u>
Transfers in	4,702,873	6,655,930	11,358,803	1,668,566
Transfers out	(504,998)	-	(504,998)	(289,723)
Capital contributions	-	401,238	401,238	1,034,756
Change in net position	<u>2,585,413</u>	<u>3,441,340</u>	<u>6,026,753</u>	<u>5,934,108</u>
Net position, beginning of year	<u>81,613,972</u>	<u>53,278,799</u>	<u>134,892,771</u>	<u>166,446,900</u>
Net position, end of year	<u>\$ 84,199,385</u>	<u>\$ 56,720,139</u>	<u>\$ 140,919,524</u>	<u>\$ 172,381,008</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, 2022

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating activities				
Cash received from customers and users	\$ 4,026,666	\$ 10,127,716	\$ 14,154,382	\$ -
Receipts from interfund services provided	-	-	-	53,709,134
Cash paid to suppliers	(10,125,916)	(12,291,364)	(22,417,280)	(14,437,791)
Cash paid to employees	-	(196,643)	(196,643)	(4,965,900)
Cash paid for interfund services used	-	-	-	(1,640,606)
Payments of claims and insurance	-	-	-	(19,590,145)
Net cash provided by (used in) operating activities	<u>(6,099,250)</u>	<u>(2,360,291)</u>	<u>(8,459,541)</u>	<u>13,074,692</u>
Noncapital financing activities				
Transfers from other funds	6,272,721	9,831,839	16,104,560	4,983,251
Transfers to other funds	(504,998)	-	(504,998)	-
Tax and intergovernmental revenues	<u>10,416,658</u>	<u>958,344</u>	<u>11,375,002</u>	<u>910,316</u>
Net cash provided by noncapital financing activities	<u>16,184,381</u>	<u>10,790,183</u>	<u>26,974,564</u>	<u>5,893,567</u>
Capital and related financing activities				
Principal paid on general obligation bond maturities	(5,494,148)	-	(5,494,148)	-
Interest paid	(1,274,241)	-	(1,274,241)	-
Acquisition and construction of capital assets	(142,321)	(401,238)	(543,559)	(12,410,065)
Refunding gain	(65,357)	-	(65,357)	-
Capital contributions	<u>-</u>	<u>308,987</u>	<u>308,987</u>	<u>1,034,756</u>
Net cash used in capital and related financing activities	<u>(6,976,067)</u>	<u>(92,251)</u>	<u>(7,068,318)</u>	<u>(11,375,309)</u>
Investing activities				
Sales of investments	-	-	-	109,064
Purchases of investments	(1,517,731)	(2,488,362)	(4,006,093)	(7,393,668)
Investment earnings	129,556	27,711	157,267	300,764
Net change in equity investment in joint venture	<u>6,754</u>	<u>-</u>	<u>6,754</u>	<u>(93,263)</u>
Net cash used in investing activities	<u>(1,381,421)</u>	<u>(2,460,651)</u>	<u>(3,842,072)</u>	<u>(7,077,103)</u>
Net increase in cash and cash equivalents	<u>1,727,643</u>	<u>5,876,990</u>	<u>7,604,633</u>	<u>515,847</u>
Cash and cash equivalents				
Beginning of year	<u>2,613,841</u>	<u>3,020,565</u>	<u>5,634,406</u>	<u>4,340,102</u>
End of year	<u>\$ 4,341,484</u>	<u>\$ 8,897,555</u>	<u>\$ 13,239,039</u>	<u>\$ 4,855,949</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, 2022

	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)	\$ (10,884,435)	\$ (4,556,918)	\$ (15,441,353)	\$ 2,309,429
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,753,724	2,608,054	7,361,778	9,869,640
Pension expense (negative expense)	-	(264,382)	(264,382)	(215,725)
Change in assets and liabilities				
(Increase) decrease in receivables	(734,586)	13,780	(720,806)	375,365
(Increase) decrease in prepayments	22,178	(46,027)	(23,849)	-
(Increase) decrease in inventories	(29,069)	(4,944)	(34,013)	(280,345)
Increase (decrease) in accounts payable	715,611	335,366	1,050,977	1,026,132
Increase (decrease) in accrued expenses	(240)	(438,987)	(439,227)	(3,311)
Increase (decrease) in deferred revenue	(5)	(6,233)	(6,238)	-
Increase (decrease) in customer deposits	57,572	-	57,572	(6,493)
Total adjustments	<u>4,785,185</u>	<u>2,196,627</u>	<u>6,981,812</u>	<u>10,765,263</u>
Net cash provided by (used in) operating activities	<u>\$ (6,099,250)</u>	<u>\$ (2,360,291)</u>	<u>\$ (8,459,541)</u>	<u>\$ 13,074,692</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, 2022

	City Employees' Pension Trust Fund	Combined Custodial Funds
Assets		
Cash	\$ 787	\$ 1,017,074
Cash equivalents	6,765,119	-
United States government securities	73,940,864	-
State & municipal government securities	3,736,283	122,697
International securities	142,307,263	-
Corporate bond & indentures	54,838,982	-
Real assets	128,679,022	-
Domestic equity securities	232,732,395	-
Pending sales proceeds	456,255	-
Other receivables	-	305,693
Accrued interest & dividends	1,352,246	-
Equipment, furniture & fixtures	38,168	-
Accumulated depreciation	(38,168)	-
Total assets	<u>\$ 644,809,216</u>	<u>\$ 1,445,464</u>
Liabilities		
Accounts payable	489,550	-
Investment purchases pending	1,941,307	-
Total liabilities	<u>\$ 2,430,857</u>	<u>\$ -</u>
Net Position Restricted for:		
Pension	642,378,359	-
Health care claims	-	1,445,464
Total net position	<u>\$ 642,378,359</u>	<u>\$ 1,445,464</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, 2022

	City Employees' Pension Trust Fund	Combined Custodial Funds
Additions		
Employee contributions	\$ 4,469,140	\$ -
Employer contributions	28,650,787	965,989
Total contributions	<u>33,119,927</u>	<u>965,989</u>
Investment earnings:		
Interest and dividends	7,396,454	-
Net (depreciation) appreciation in the fair value of investments	(58,117,079)	-
Other income	17,976	-
Total investment earnings (loss)	<u>(50,702,649)</u>	<u>-</u>
Less investment expense	(4,301,048)	-
Net investment earnings (loss)	<u>(55,003,697)</u>	<u>-</u>
Total additions (net)	<u>(21,883,770)</u>	<u>965,989</u>
Deductions		
Benefits paid	53,054,434	1,098,901
Refunds	610,524	-
Administration expenses	907,959	-
Total deductions	<u>54,572,917</u>	<u>1,098,901</u>
Change in net position	(76,456,687)	(132,912)
Total net position - beginning	<u>718,835,046</u>	<u>1,578,376</u>
Total net position - ending	<u>\$ 642,378,359</u>	<u>\$ 1,445,464</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, 2022

	Component Units				Total Component Units
	Metropolitan			Total	
	Knoxville Utilities Board	Knoxville Airport Authority	Knoxville Area Transit		
Assets					
Cash and cash equivalents	\$ 146,776,546	\$ 43,223,639	\$ 3,186,776	\$	193,186,961
Investments	112,786,477	23,956,683	-		136,743,160
Receivables (net of allowance for uncollectibles):					
Accounts	89,053,689	5,373,854	18,624,068		113,051,611
TVA conservation program	575,535	-	-		575,535
Other	33,990	1,216,197	-		1,250,187
Current portion of lease receivable	516,649	206,674	-		723,323
Inventories	19,032,578	-	1,616,100		20,648,678
Prepaid items	10,953,297	671,983	-		11,625,280
Deferred charges	-	861,716	-		861,716
Restricted assets:					
Temporarily restricted:					
Bond funds	35,073,534	15,824,249	-		50,897,783
Unused bond proceeds	1,298,143	-	-		1,298,143
Receivables	-	696,732	-		696,732
Other	1,515	-	-		1,515
Intangible assets:					
Intangible right of use asset	4,587,687	-	-		4,587,687
Less accumulated amortization	(689,074)	-	-		(689,074)
Net pension asset	64,137,714	-	-		64,137,714
Long-term lease receivable	3,972,652	8,621,917	-		12,594,569
Other assets	14,157,910	443,112	-		14,601,022
Capital assets:					
Land and site improvements	-	286,929,237	2,199,236		289,128,473
Buildings and improvements	-	181,359,031	35,057,790		216,416,821
Utility plant in service	3,149,275,765	-	-		3,149,275,765
Equipment, furniture and fixtures	-	37,889,184	56,462,774		94,351,958
Infrastructure and site improvements	-	-	557,914		557,914
Construction in progress	161,753,319	20,578,875	2,165,590		184,497,784
Less accumulated depreciation	(1,057,804,184)	(253,160,505)	(45,885,567)		(1,356,850,256)
Total assets	<u>2,755,493,742</u>	<u>374,692,578</u>	<u>73,984,681</u>		<u>3,204,171,001</u>
Deferred outflows of resources					
Pensions	7,842,910	-	-		7,842,910
OPEB	5,209,694	-	-		5,209,694
Unamortized bond refundings	14,687,019	-	-		14,687,019
Total deferred outflows of resources	<u>27,739,623</u>	<u>-</u>	<u>-</u>		<u>27,739,623</u>
Liabilities					
Current portion of lease liability	844,904	-	-		844,904
Accounts payable	98,180,618	3,271,642	435,397		101,887,657
Matured principal & interest on bonds	12,731,785	-	-		12,731,785
Accrued liabilities	30,689,445	1,878,027	503,168		33,070,640
Due to primary government	-	-	11,948,352		11,948,352
Customer deposits, plus accrued interest	23,259,401	-	-		23,259,401
Accrued interest	-	58,720	-		58,720
Noncurrent liabilities:					
Long-term debt due within one year	42,765,000	-	-		42,765,000
Long-term debt due in more than one year	1,010,515,000	28,885,000	-		1,039,400,000
Lease liability	3,215,556	-	-		3,215,556
Other liabilities	26,487,668	-	-		26,487,668
Unamortized premiums/discounts	114,402,894	-	-		114,402,894
Net OPEB liability	11,202,507	-	-		11,202,507
Total liabilities	<u>1,374,294,778</u>	<u>34,093,389</u>	<u>12,886,917</u>		<u>1,421,275,084</u>
Deferred inflows of resources					
Pensions	39,528,961	-	-		39,528,961
Unamortized bond refunding costs	1,531,357	-	-		1,531,357
Lease inflow	4,413,743	8,711,556	-		13,125,299
Deferred revenue	-	40,500	510,092		550,592
Total deferred inflows of resources	<u>45,474,061</u>	<u>8,752,056</u>	<u>510,092</u>		<u>54,736,209</u>
Net position					
Net investment in capital assets	1,098,926,697	243,941,035	50,557,737		1,393,425,469
Restricted for:					
Debt service	22,341,750	-	-		22,341,750
Other	1,515	16,520,981	-		16,522,496
Unrestricted	242,194,564	71,385,117	10,029,935		323,609,616
Total net position	<u>\$ 1,363,464,526</u>	<u>\$ 331,847,133</u>	<u>\$ 60,587,672</u>		<u>\$ 1,755,899,331</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, 2022

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			
					Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Component units:								
Knoxville Utilities Board	\$ 822,371,303	\$ 905,769,872	\$ -	\$ 1,637,701	\$ 85,036,270	\$ -	\$ -	\$ 85,036,270
Metropolitan Knoxville Airport Authority	39,289,240	41,891,111	-	7,091,001	-	9,692,872	-	9,692,872
Knoxville Area Transit	52,615,183	6,022,409	6,245,374	61,117,326	-	-	20,769,926	20,769,926
Total component units	<u>\$ 914,275,726</u>	<u>\$ 953,683,392</u>	<u>\$ 6,245,374</u>	<u>\$ 69,846,028</u>	<u>\$ 85,036,270</u>	<u>\$ 9,692,872</u>	<u>\$ 20,769,926</u>	<u>\$ 115,499,068</u>
General revenues:								
Intergovernmental revenue, unrestricted					-	-	-	-
Other unrestricted revenue (expense)					(8,324,453)	6,292,446	(1,040,581)	(3,072,588)
Unrestricted investment earnings					1,107,621	383,140	-	1,490,761
Total general revenues					<u>(7,216,832)</u>	<u>6,675,586</u>	<u>(1,040,581)</u>	<u>(1,581,827)</u>
Change in net position					77,819,438	16,368,458	19,729,345	113,917,241
Net position - beginning, as restated					<u>1,285,645,088</u>	<u>315,478,675</u>	<u>40,858,327</u>	<u>1,641,982,090</u>
Net position - ending					<u>\$ 1,363,464,526</u>	<u>\$ 331,847,133</u>	<u>\$ 60,587,672</u>	<u>\$ 1,755,899,331</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, 2022

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, 2022

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, 2022

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, 2022

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. 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, 2022

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 \$1,274,241.

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, 2022

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 assets that applies to future periods 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, 2022

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 assets that applies to future periods 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. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

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.

Leases - The City determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use ("ROU") asset and a lease liability, as a lessee, at the lease commencement date. The lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or the City's incremental borrowing rate if the implicit rate is not determinable. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense, an outflow of resources, is recognized on a straight-line basis over the lease term. The City has elected not to recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense or expenditures associated with the short-term lease in the statement of activities and the statements of revenue, expenditures and changes in fund balance.

The City monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. The City and KUB uses its estimated incremental borrowing rate as the discount rate for leases.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Airport Authority is a lessor for various leases, recognizing a lease receivable and deferred inflow of resources. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The future lease payments due from the Authority's lessee's have been discounted using an incremental borrowing rate that the Authority has determined for each lessee based on various factors, primarily the lease term. The lease term includes the noncancellable period of the lease plus any option to extend that is reasonably certain to be exercised. Lease receipts included in measurement of the lease receivable is composed of fixed payments from the lessee. The Authority monitors changes in circumstances that require a reassessment of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

In June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on the City's financial statements.

In June 2018, the GASB issued GASB Statement No. 89 (Statement No. 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. Adoption of this Statement did not have a significant impact on the City's financial statements.

In January 2020, the GASB issued GASB Statement No. 92 (Statement No. 92), *Omnibus 2020*. 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. Certain provisions of Statement No. 92 were effective immediately. Paragraphs 6, 7, 8, 9, and 12 are effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the City's financial statements.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In March 2020, the GASB issued GASB Statement No. 93 (Statement No. 93), *Replacement of Interbank Offered Rates*. 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. Statement No. 93 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the City's financial statements.

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.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. 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. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the City's financial statements.

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 26 and 28, respectively.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 2022.

General Fund	\$ 9,195,251
Special Revenue Funds	25,121,524
Debt Service Funds	18,305,000
Enterprise Funds	2,824,380
Internal Service Funds	851,596
Capital Projects Fund	15,438,457

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, 2022

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	\$ 21,786,453	\$ 20,102,771	\$ (1,683,682)	\$ 21,786,453	\$ 17,517,358	\$ 4,269,095
Metro Parking	5,252,881	4,164,392	(1,088,489)	5,252,881	4,220,022	1,032,859
Public Assembly Facilities	10,797,035	12,031,959	1,234,924	10,797,035	8,788,830	2,008,205
City Golf Courses	1,764,260	1,930,172	165,912	1,764,260	1,676,331	87,929
<i>Knoxville Area Transit</i>						
(Component Unit)	29,801,651	73,385,109	43,583,458	29,801,651	53,655,764	(23,854,113)
<i>Internal Service Funds</i>						
Fleet Maintenance	20,366,771	20,164,958	(201,813)	20,366,771	16,502,985	3,863,786
Risk Management	7,624,912	7,704,764	79,852	7,624,912	8,448,254	(823,342)
Employee Health Insurance	22,001,334	21,394,843	(606,491)	22,001,334	20,783,929	1,217,405
Equipment Replacement	3,976,560	5,328,019	1,351,459	3,976,560	3,467,751	508,809
City Buildings	2,672,090	2,674,284	2,194	2,672,090	2,129,841	542,249

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, 2022

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, 2022, 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, 2022, the City held securities in various municipal bonds of \$36 million or approximately 7% 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, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

As of June 30, 2022, 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)	\$ 7,647,990	\$ 2,965,120	\$ -	\$ 4,682,870	\$ -
U.S. Treasuries	3,348,178	-	1,905,860	1,442,318	-
Federal Farm Credit Bureau (FFCB)	995,720	995,720	-	-	-
Other Governmental Bonds	37,689,186	15,188,829	9,664,927	12,835,430	-
Certificates of Deposit	5,513,376	2,159,121	1,944,730	1,174,570	234,955
Tennessee Local Government Investment Pool	455,603,835	455,603,835	-	-	-
	<u>\$ 510,798,285</u>	<u>\$ 476,912,625</u>	<u>\$ 13,515,517</u>	<u>\$ 20,135,188</u>	<u>\$ 234,955</u>
Fiduciary Activities:					
Tennessee Local Government Investment Pool					
	<u>\$ 122,697</u>	<u>\$ 122,697</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>\$ 146,776,546</u>	<u>\$ 59,047,888</u>	<u>\$ 3,186,776</u>	<u>\$ 787</u>
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	\$ 146,776,546	\$ 59,047,888	\$ 3,186,776	\$ 787
Certificates of deposit	-	-	-	-
Total deposits - carrying value	<u>\$ 146,776,546</u>	<u>\$ 59,047,888</u>	<u>\$ 3,186,776</u>	<u>\$ 787</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ -	\$ -	\$ -	\$ 6,765,119	\$ 6,765,119	\$ 6,765,119
United States government securities	131,416,617	23,956,683	-	73,940,864	229,314,164	229,314,164
Domestic equity securities	-	-	-	232,732,395	232,732,395	232,732,395
Corporate bonds	-	-	-	54,838,982	54,838,982	54,838,982
State and municipal government securities	-	-	-	3,736,283	3,736,283	3,736,283
Real estate investment trusts	-	-	-	128,679,022	128,679,022	128,679,022
Alternative assets	-	-	-	-	-	-
International securities	-	-	-	<u>142,307,263</u>	<u>142,307,263</u>	<u>142,307,263</u>
Total classified investments	131,416,617	23,956,683	-	642,999,928	798,373,228	798,373,228
Investments not categorized:						
Investments in state treasurer's investment pool	<u>17,584,151</u>	-	-	-	17,584,151	17,584,151
Total investments	<u>\$ 149,000,768</u>	<u>\$ 23,956,683</u>	<u>\$ -</u>	<u>\$ 642,999,928</u>	<u>\$ 815,957,379</u>	<u>\$ 815,957,379</u>
Total deposits and investments	<u>\$ 295,777,314</u>	<u>\$ 83,004,571</u>	<u>\$ 3,186,776</u>	<u>\$ 643,000,715</u>		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	\$ 146,776,546	\$ 43,223,639	\$ 3,186,776	\$ 787
Investments	112,786,477	23,956,683	-	642,999,928
Unused bond proceeds	1,298,143	15,824,249	-	-
Bond funds	35,073,534	-	-	-
Other temporarily restricted assets	1,515	-	-	-
	<u>295,936,215</u>	<u>83,004,571</u>	<u>3,186,776</u>	<u>643,000,715</u>
Less accrued interest	(158,901)	-	-	-
Total deposits and investments	<u>\$ 295,777,314</u>	<u>\$ 83,004,571</u>	<u>\$ 3,186,776</u>	<u>\$ 643,000,715</u>

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, 2022

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, 2022:

	June 30, 2022	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	\$ 11,991,888	\$ 11,991,888	\$ -	\$ -
State and Municipal Bonds	37,689,186	1,899,248	35,789,938	-
Certificates of Deposit	5,513,376	5,513,376	-	-
	<u>\$ 55,194,450</u>	<u>\$ 19,404,512</u>	<u>\$ 35,789,938</u>	<u>\$ -</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

	June 30, 2022	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	\$ 34,153,506	\$ 34,153,506	\$ -	\$ -
U.S. Government Backed Securities	1,980,888	1,980,888	-	-
Commercial Mortgage-Backed Securities	5,840,587	-	5,840,587	-
Asset Backed Securities	5,920,324	-	5,920,324	-
Residential Mortgage-Backed Securities	17,027,961	-	17,027,961	-
Corporate Bonds	49,981,113	49,981,113	-	-
Municipal Bonds	5,607,597	5,607,597	-	-
TIPS	22,309,302	22,309,302	-	-
Total Debt Securities	<u>142,821,278</u>	<u>114,032,406</u>	<u>28,788,872</u>	<u>-</u>
Equity Securities:				
Consumer Discretionary	10,682,231	10,682,231	-	-
Consumer Staples	742,283	742,283	-	-
Energy	1,710,135	1,710,135	-	-
Financials	13,007,429	13,007,429	-	-
Healthcare	6,602,829	6,602,829	-	-
Industrials	9,295,743	9,295,743	-	-
Information Technology	12,502,833	12,502,833	-	-
Materials	1,667,787	1,667,787	-	-
Reit Financials	1,192,311	1,192,311	-	-
Telecommunications Services	15,199,512	15,199,512	-	-
Utilities	333,908	333,908	-	-
Mutual Funds:				
Infrastructure	9,164,905	9,164,905	-	-
Large Cap Growth	42,557,173	42,557,173	-	-
Total Equity Securities	<u>\$ 124,659,079</u>	<u>\$ 124,659,079</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

	June 30, 2022	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	\$ 7,061,522	\$ -	\$ -	\$ 7,061,522
Diversified	32,369,819	-	-	32,369,819
Energy	4,935,777	-	-	4,935,777
International	6,887,493	-	-	6,887,493
Secondary Markets	15,044,233	-	-	15,044,233
Venture Capital	4,738,578	-	-	4,738,578
Total Private Equity	\$ 71,037,422	\$ -	\$ -	\$ 71,037,422
Total Investments by fair value level	\$ 338,517,779	\$ 238,691,485	\$ 28,788,872	\$ 71,037,422
Investments measured at the net asset value (NAV)				
Global Low Volatility	28,914,400			
Real Estate Funds	82,867,240			
Infrastructure	31,989,494			
International Equities	98,442,887			
Defensive Equity	31,178,889			
International - Emerging Market Debt	25,304,821			
Total investment measured at the NAV	298,697,731			
Total investments measured at fair value	637,215,510			
Cash held by money managers	5,651,612			
Total Investment Assets	\$ 642,867,122			(1)

(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, 2022

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Private Equities and investments measured at NAV are typically more illiquid than other asset classes. The System had the following holdings in these types of investments.

Redemption Periods and Unfunded Commitments as of June 30, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	\$ 31,989,494	\$ -	Quarterly*	45 - 90 days
Real Estate Funds	82,867,240	-	Quarterly, Daily	45 days, 1 day
International Equities	98,442,887	-	Monthly	10 - 30 days
Defensive Equity	31,178,889	-	Monthly	5 days
International - Emerging Market Debt	25,304,821	-	Monthly	3 days
Global Low Volatility	28,914,400	-	Daily	1 day
Total investment measured at the NAV	<u>\$ 298,697,731</u>	<u>\$ -</u>		
Private Equity:				
Debt	\$ 7,061,522	\$ 3,225,000		
Diversified	32,369,819	11,147,120		
Energy	4,935,777	835,627		
International	6,887,493	897,708		
Secondary Markets	15,044,233	8,350,000		
Venture Capital	4,738,578	3,853,184		
Total Private Equity	<u>\$ 71,037,422</u>	<u>\$ 28,308,639</u>		

Infrastructure Funds – This investment type consists of two private core managers plus a publicly traded mutual fund. The two core investments consist of open-ended private infrastructure funds with one focused globally and one concentrated in North America in various industries. Even after the two private managers called their committed funds, the System maintained the remaining funds in the publicly traded mutual fund opportunistically. 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, 2022

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.

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 -7.72% and 22.10% for the fiscal years ended 2022 and 2021, 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, 2022

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022, 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	\$ 883,997	\$ 110,585	\$ 181,675	\$ 38,468	\$ -	\$ (211,921)	\$ 1,002,804
Debt service fund	-	104,183	-	-	-	-	104,183
Capital projects fund	647,000	48,419	2,422,939	-	-	(89,002)	3,029,356
Special revenue funds:							
Miscellaneous community development funds	169,353	-	435,844	-	-	-	605,197
Other governmental funds	1,580,295	-	1,740,525	6,918	13,986	-	3,341,724
Knoxville Convention Center	1,808,302	-	-	-	1,048,109	-	2,856,411
Other enterprise funds	-	-	2,009	210,427	223,460	-	435,896
Internal service funds	-	1,138	-	314,177	-	-	315,315
Total primary government	5,088,947	264,325	4,782,992	569,990	1,285,555	(300,923)	11,690,886
Component units:							
Knoxville Utilities Board	575,535	33,990	-	87,830,250	1,997,230	(773,791)	89,663,214
Metropolitan Knoxville Airport Authority	-	16,193	3,930,906	2,139,680	1,200,004	-	7,286,783
Knoxville Area Transit	6,945,256	-	11,678,812	-	-	-	18,624,068
Total reporting entity	<u>\$ 12,609,738</u>	<u>\$ 314,508</u>	<u>\$ 20,392,710</u>	<u>\$ 90,539,920</u>	<u>\$ 4,482,789</u>	<u>\$ (1,074,714)</u>	<u>\$ 127,264,951</u>
Fiduciary Activities:							
City Employees' Pension Trust Fund	\$ -	\$ 1,352,246	\$ -	\$ -	\$ -	\$ -	\$ 1,352,246
Combined Agency Funds	-	-	-	-	305,693	-	305,693
Total fiduciary activities	<u>\$ -</u>	<u>\$ 1,352,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,693</u>	<u>\$ -</u>	<u>\$ 1,657,939</u>

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following:

Governmental Funds:

Notes Receivable

General Fund	\$ 8,033,184
Special Revenue Fund - Miscellaneous Community Development Funds	10,134,769
Other Governmental Funds - Community Development Block Grant Funds	1,315,211
Miscellaneous Special Revenue Funds	<u>2,390,000</u>
 Total Notes Receivable	 <u>\$ 21,873,164</u>

The \$10,134,769 due to the Miscellaneous to Community Development Funds and the \$3,705,211 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 \$13,839,980 is included in deferred inflows of resources.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Knoxville Utilities Board

KUB, as lessor, leases office space, land, and fiber optic cables under non-cancelable lease arrangements. Terms of the leases range from two to fifteen years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of \$451,074 in 2022 and \$429,151 in 2021. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$127,593 in 2022 and \$8,398 in 2021. Total lease receivables were \$4,489,301 (\$516,649 current) and \$3,524,704 (\$341,368 current) as of June 30, 2022, and 2021, respectively, and are included in other assets on the Statement of Net Position.

Metropolitan Knoxville Airport Authority

The Authority leases certain assets to various third parties. The assets leased include land, hangars, terminal space for concessions, and office space. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable. Variable payments are certain lease payments based on a percentage of concessioners' revenue, or to cover actual operating and maintenance expenses.

The Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

During the year ended June 30, 2022, the Authority recognized the following related to its lessor agreements:

Lease revenue	\$	295,508
Interest income related to its leases		276,711
Revenue from variable payments not previously included in the measurement for the lease receivable:		1,247,463

Of the Airport Authority's lease receivables at June 30, 2022, the entire amount of \$8,828,591 relates to leases whose revenues are pledged to secure certain outstanding debt obligations of the Airport Authority. The leases do not contain options to terminate the lease. Abatement of rent can occur if leased premises are partially or wholly untenable due to fire or casualty, until such time as repairs are completed.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Future principal and interest payment requirements related to the Airport Authority's lease receivable at June 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 206,674	\$ 275,568	\$ 482,242
2024	163,977	270,674	434,651
2025	169,452	265,941	435,393
2026	173,174	261,067	434,241
2027	166,259	256,202	422,461
2028-2032	651,645	1,217,532	1,869,177
2033-2037	718,319	1,112,297	1,830,616
2038-2042	826,787	990,584	1,817,371
2043-2047	968,643	848,728	1,817,371
2048-2052	1,134,876	682,495	1,817,371
2053-2057	1,264,137	488,343	1,752,480
2058-2062	1,081,266	303,491	1,384,757
2063-2067	1,095,179	115,524	1,210,703
2068-2072	208,203	11,571	219,774
Total	<u>\$ 8,828,591</u>	<u>\$ 7,100,017</u>	<u>\$ 15,928,608</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

	Beginning Balance, as restated	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
Governmental activities:				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 85,030,226	\$ 120,007	\$ -	\$ 85,150,233
Artwork	288,879	-	-	288,879
Construction in progress	38,850,187	72,532,424	(27,490,364)	83,892,247
Total nondepreciable capital assets	<u>124,169,292</u>	<u>72,652,431</u>	<u>(27,490,364)</u>	<u>169,331,359</u>
<i>Depreciable:</i>				
Buildings and building improvements	81,584,990	1,575,643	-	83,160,633
Equipment, furniture and fixtures	132,713,999	10,026,239	(4,644,944)	138,095,294
Infrastructure and site improvements	494,380,776	24,522,080	-	518,902,856
Total depreciable capital assets	<u>708,679,765</u>	<u>36,123,962</u>	<u>(4,644,944)</u>	<u>740,158,783</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(40,878,095)	(2,751,219)	-	(43,629,314)
Equipment, furniture and fixtures	(80,631,602)	(11,148,674)	4,251,545	(87,528,731)
Infrastructure and site improvements	(269,855,305)	(16,077,609)	-	(285,932,914)
Total accumulated depreciation	<u>(391,365,002)</u>	<u>(29,977,502)</u>	<u>4,251,545</u>	<u>(417,090,959)</u>
Total depreciable capital assets, net	<u>317,314,763</u>	<u>6,146,460</u>	<u>(393,399)</u>	<u>323,067,824</u>
Governmental activities capital assets, net	<u>\$ 441,484,055</u>	<u>\$ 78,798,891</u>	<u>\$ (27,883,763)</u>	<u>\$ 492,399,183</u>
Business-type activities:				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 7,686,303	\$ -	\$ -	\$ 7,686,303
Artwork	764,875	-	-	764,875
Construction in progress	6,200	543,559	(549,759)	-
Total nondepreciable capital assets	<u>8,457,378</u>	<u>543,559</u>	<u>(549,759)</u>	<u>8,451,178</u>
<i>Depreciable:</i>				
Buildings and building improvements	233,647,039	350,573	-	233,997,612
Equipment, furniture and fixtures	10,720,898	199,186	-	10,920,084
Infrastructure and site improvements	31,761,747	47,285	-	31,809,032
Total depreciable capital assets	<u>276,129,684</u>	<u>597,044</u>	<u>-</u>	<u>276,726,728</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(113,671,575)	(5,513,683)	-	(119,185,258)
Equipment, furniture and fixtures	(7,038,981)	(584,470)	-	(7,623,451)
Infrastructure and site improvements	(17,579,780)	(1,263,625)	-	(18,843,405)
Total accumulated depreciation	<u>(138,290,336)</u>	<u>(7,361,778)</u>	<u>-</u>	<u>(145,652,114)</u>
Total depreciable capital assets, net	<u>137,839,348</u>	<u>(6,764,734)</u>	<u>-</u>	<u>131,074,614</u>
Business-type activities capital assets, net	<u>\$ 146,296,726</u>	<u>\$ (6,221,175)</u>	<u>\$ (549,759)</u>	<u>\$ 139,525,792</u>
Fiduciary activities:				
Knoxville Employees' Pension Plan				
<i>Depreciable: Equipment, furniture and fixtures</i>	\$ 38,168	\$ -	\$ -	\$ 38,168
<i>Accumulated Depreciation</i>	(34,082)	(4,086)	-	(38,168)
Total Knoxville Employees' Pension Plan	<u>\$ 4,086</u>	<u>\$ (4,086)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - CAPITAL ASSETS - Continued

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

Governmental Activities

General	\$ 12,746,501
Public Safety	2,415,998
Physical Environment	12,223,767
Economic Development	24,728
Parks and Recreation	2,185,964
Health and Sanitation	<u>380,968</u>
	<u>\$ 29,977,926</u>

Business-type Activities

Knoxville Convention Center	\$ 4,753,724
Metro Parking	1,352,115
Public Assembly Facilities	1,196,456
Municipal Golf Courses	<u>59,483</u>
	<u>\$ 7,361,778</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2022 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>	\$ 189,507,909	\$ 156,312,285	\$ (184,066,875)	\$ 161,753,319
<i>Depreciable:</i>				
Pumping and treatment plant	355,555,498	60,466,147	(2,176,972)	413,844,673
Distribution & collection plant	2,385,622,787	96,861,459	(26,123,254)	2,456,360,992
General plant	257,906,388	25,486,584	(4,322,872)	279,070,100
Total depreciable assets	2,999,084,673	182,814,190	(32,623,098)	3,149,275,765
Accumulated depreciation	(999,438,900)	(89,664,008)	31,298,724	(1,057,804,184)
Total depreciable capital assets, net	1,999,645,773	93,150,182	(1,324,374)	2,091,471,581
Total Knoxville Utilities Board	\$ 2,189,153,682	\$ 249,462,467	\$ (185,391,249)	\$ 2,253,224,900
Metropolitan Knoxville Airport Authority				
<i>Nondepreciable:</i>				
Land	\$ 40,061,845	\$ 1,328,620	\$ -	\$ 41,390,465
Construction in progress	151,625,169	12,553,733	(143,600,027)	20,578,875
Total nondepreciable capital assets	191,687,014	13,882,353	(143,600,027)	61,969,340
<i>Depreciable:</i>				
Land improvements	123,189,942	122,348,830	-	245,538,772
Buildings and building improvements	173,569,019	7,790,012	-	181,359,031
Equipment, furniture and fixtures	24,745,110	13,522,398	(378,324)	37,889,184
Total depreciable capital assets	321,504,071	143,661,240	(378,324)	464,786,987
<i>Accumulated depreciation:</i>				
Land improvements	(101,373,758)	(6,668,539)	-	(108,042,297)
Buildings and building improvements	(124,209,641)	(5,443,560)	-	(129,653,201)
Equipment, furniture and fixtures	(13,924,399)	(1,848,858)	308,250	(15,465,007)
Total accumulated depreciation	(239,507,798)	(13,960,957)	308,250	(253,160,505)
Total depreciable capital assets, net	81,996,273	129,700,283	(70,074)	211,626,482
Total Metropolitan Knoxville Airport Authority	\$ 273,683,287	\$ 143,582,636	\$ (143,670,101)	\$ 273,595,822
Knoxville Area Transit				
<i>Nondepreciable:</i>				
Land	\$ 2,199,236	\$ -	\$ -	\$ 2,199,236
Artwork	49,000	-	-	49,000
Construction in progress	-	17,999,636	(15,834,046)	2,165,590
Total nondepreciable capital assets	2,248,236	17,999,636	(15,834,046)	4,413,826
<i>Depreciable:</i>				
Buildings and building improvements	32,879,623	2,178,167	-	35,057,790
Infrastructure and site improvements	557,914	-	-	557,914
Equipment, vehicles, furniture and fixtures	43,504,790	13,655,880	(746,896)	56,413,774
Total depreciable capital assets	76,942,327	15,834,047	(746,896)	92,029,478
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(13,923,473)	(1,078,051)	-	(15,001,524)
Infrastructure and site improvements	(115,436)	(25,969)	-	(141,405)
Equipment, vehicles, furniture and fixtures	(27,438,537)	(3,809,284)	505,183	(30,742,638)
Total accumulated depreciation	(41,477,446)	(4,913,304)	505,183	(45,885,567)
Total depreciable capital assets, net	35,464,881	10,920,743	(241,713)	46,143,911
Total Knoxville Area Transit	\$ 37,713,117	\$ 28,920,379	\$ (16,075,759)	\$ 50,557,737

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - CAPITAL ASSETS - Continued

The Authority is contractually obligated to expend approximately \$21M more for various projects. Estimated costs to complete construction in progress for these projects total approximately \$39.4M as of June 30, 2022. The work will be funded through proceeds from Federal and State grants and other Authority funds.

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. MKAA 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, MKAA received approximately \$5,340,000 with the remaining \$1,190,000 recorded as a receivable at June 30, 2022, as these funds are held in escrow. The Authority's acceptance of these funds is not an agreement that these amounts represent fair compensation.

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 \$11,200,000 as of June 30, 2022, is expected to be transferred to the FAA upon title transfer.

During 2022, the Runway 5L/23R construction was completed and placed in service for \$139,887,565.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 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>	\$ 1,202,470	\$ 7,104,913	\$ (5,902,443)	\$ -	\$ -
<i>Debt Service Fund</i>	-	8,867,166	(8,867,166)	-	-
<i>Special Revenue Fund:</i>					
State Street Aid	-	2,060,590	(2,060,590)	-	-
Community Development Block Grant	-	654,351	(654,351)	-	-
Animal Control	-	37,100	(37,100)	-	-
Abandoned Vehicles	-	1,501	(1,501)	-	-
City Inspections	-	3,251	(3,251)	-	-
City Court	-	-	-	-	-
Miscellaneous Grants	9,453,853	906,571	8,547,282	-	-
Miscellaneous Special Revenue	-	674,073	(674,073)	-	-
Storm Water	-	3,254	(3,254)	-	-
Solid Waste	-	78,849	(78,849)	-	-
Miscellaneous Community Development Funds	-	247,807	(247,807)	-	-
Knoxville Civic Revitalization	-	-	-	-	-
<i>Capital Projects Fund</i>	19,654,660	98,562	19,556,098	11,948,352	-
<i>Internal Service Funds:</i>					
Fleet Maintenance	-	-	-	-	-
Risk Management	-	2,426	(2,426)	-	-
Health Insurance	3,200	-	3,200	-	-
Equipment Replacement	-	-	-	-	-
City Buildings	-	-	-	-	-
Total governmental activities	<u>30,314,183</u>	<u>20,740,414</u>	<u>9,573,769</u>	<u>11,948,352</u>	<u>-</u>
Business-Type Activities					
Knoxville Convention Center	-	7,713,101	(7,713,101)	-	-
Public Assembly Facilities	-	865,989	(865,989)	-	-
Metro Parking	-	402,009	(402,009)	-	-
Municipal Golf Courses	-	555,673	(555,673)	-	-
Total business-type activities	<u>-</u>	<u>9,536,772</u>	<u>(9,536,772)</u>	<u>-</u>	<u>-</u>
Fiduciary Funds					
City Choice Plus Fund	-	36,997	(36,997)	-	-
Health Savings	-	-	-	-	-
	<u>-</u>	<u>36,997</u>	<u>(36,997)</u>	<u>-</u>	<u>-</u>
Component Units:					
Knoxville Area Transit	-	-	-	-	11,948,352
	<u>\$ 30,314,183</u>	<u>\$ 30,314,183</u>	<u>\$ -</u>	<u>\$ 11,948,352</u>	<u>\$ 11,948,352</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2022, 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%	76,645,000	15,630,000	92,275,000
General Obligation Bonds Series 2018 maturing through 2028 at varying rates of interest ranging from 3.0% to 5.0%	9,350,000	-	9,350,000
General Obligation Bonds Series 2021B maturing through 2042 at varying rates of interest from 3.0% to 5.0%	<u>16,700,000</u>	<u>-</u>	<u>16,700,000</u>
Total General Obligation Bonds	102,695,000	75,600,000	178,295,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points	<u>2,390,000</u>	<u>-</u>	<u>2,390,000</u>
Total Primary Government	<u>\$ 105,085,000</u>	<u>\$ 75,600,000</u>	<u>\$ 180,685,000</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM DEBT - Continued

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, 2022, these requirements had been satisfied.

	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%	\$ 304,835,000
Water Revenue Bonds Series X to LL maturing through 2050 at varying rates of interest ranging from 2.0% to 5.0%	191,540,000
Gas Revenue Bonds Series Q to AA, maturing through 2050 at varying rates of interest ranging from 2.0% to 5.0%	84,795,000
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%	<u>472,110,000</u> <u>\$ 1,053,280,000</u>
<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.	<u>\$ 28,885,000</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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
2023	\$ 7,745,000	\$ 4,137,040	\$ 5,900,000	\$ 3,647,440
2024	8,170,000	3,741,150	6,210,000	3,180,300
2025	7,130,000	3,370,450	4,575,000	2,885,300
2026	5,735,000	3,370,450	7,460,000	2,574,800
2027	6,020,000	2,744,200	7,760,000	2,356,600
2028-2032	27,100,000	9,930,450	43,695,000	7,060,800
2033-2037	24,175,000	4,833,600	-	377,400
2038-2042	19,010,000	1,530,300	-	-
	<u>105,085,000</u>	<u>\$ 33,657,640</u>	<u>75,600,000</u>	<u>\$ 22,082,640</u>
Unamortized premium	17,930,775		2,235,269	
Total	<u>\$ 123,015,775</u>		<u>\$ 77,835,269</u>	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
	2023	\$ 42,765,000
2024	49,515,000	38,973,022
2025	50,820,000	36,838,650
2026	49,265,000	34,877,139
2027	50,715,000	32,980,570
2028-2032	228,685,000	136,471,468
2033-2037	202,315,000	95,238,792
2038-2042	228,930,000	58,030,442
2043-2047	141,985,000	21,330,331
2048-2052	37,170,000	2,574,471
	<u>\$ 1,082,165,000</u>	<u>\$ 496,448,156</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM DEBT - Continued

Current and Advance Refundings

Primary Government

During fiscal 2022, the City issued \$16,700,000 in General Obligation Improvement Bonds, Series 2021B. The net proceeds of \$18,199,319 (including a \$1,499,319 premium) are to be used for various capital improvement projects of the City.

Component units

Knoxville Utilities Board

During fiscal year 2022, KUB's Electric Division issued Series MM 2022 bonds to fund electric system capital improvements. KUB's Electric Division also issued Series NN 2022 bonds to retire a portion of outstanding Series FF 2015 bonds. On May 13, 2022, \$27.2 million in revenue refunding bonds with an average interest rate of 4.1 percent were issued to advance refund \$28.9 million of outstanding bonds with an average interest rate of 4.1 percent. The net proceeds of \$29.5 million (after payment of \$0.4 million in issuance costs plus premium of \$2 million and an additional issuer equity contribution of \$0.6 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, 2022, and the July 1, 2023, debt service payments. As a result, the remaining bonds are considered to be refunded and the liability of \$28.9 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by \$2 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.

During fiscal year 2022, KUB's Water Division issued Series MM 2022 bonds to retire a portion of outstanding Series CC 2015 bonds. On May 13, 2022, \$14.9 million in revenue refunding bonds with an average interest rate of 3.6 percent were issued to currently refund \$15.1 million of outstanding bonds with an average interest rate of 3.9 percent. The net proceeds of \$15.2 million (after payment of \$0.3 million in issuance costs plus premium of \$0.4 million and an additional issuer equity contribution of \$0.1 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 life of the debt by \$0.7 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$0.4 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, 2021, the effective reduction in rebate is 5.7 percent.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM DEBT - Continued

During fiscal year 2022, KUB's Wastewater Division issued Series 2022A bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2022B bonds to retire a portion of outstanding Series 2015B bonds. On May 13, 2022, \$23.2 million in revenue refunding bonds with an average interest rate of 4.2 percent were issued to currently refund \$24.6 million of outstanding bonds with an average interest rate of 4 percent. The net proceeds of \$24.7 million (after payment of \$0.3 million in issuance costs plus premium of \$1.7 million and an additional issuer equity contribution of \$0.1 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 life of the debt by \$1.3 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$0.7 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 2022, consists of the following:

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 \$5,545,000 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, 2022

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, 2022:

	Balance June 30, 2021	Additions and Transfers	Reductions and Transfers	Balance June 30, 2022	Due Within One Year
Primary Government					
<i>Government Activities:</i>					
General obligation bonds	\$ 92,125,000	\$ 16,700,000	\$ 6,130,000	\$ 102,695,000	\$ 7,575,000
Add unmortized amounts for issuance premiums	17,411,125	1,499,319	979,669	17,930,775	979,669
	109,536,125	18,199,319	7,109,669	120,625,775	8,554,669
HUD section 108 promissory note	2,560,000	-	170,000	2,390,000	170,000
Estimated claims liability	20,450,000	18,507,368	18,507,368	20,450,000	5,100,000
Compensated absences payable	10,190,048	8,973,908	8,423,678	10,740,278	6,940,971
Net pension liability	232,980,692	75,266,514	168,992,169	139,255,037	-
Net OPEB liability	18,344,551	1,191,164	1,025,345	18,510,370	-
Total governmental activities long-term liabilities	<u>\$ 394,061,416</u>	<u>\$ 122,138,273</u>	<u>\$ 204,228,229</u>	<u>\$ 311,971,460</u>	<u>\$ 20,765,640</u>
<i>Business-type Activities:</i>					
General obligation bonds	\$ 80,975,000	\$ -	\$ 5,375,000	\$ 75,600,000	\$ 5,900,000
Add unmortized amounts for issuance premiums	2,354,417	-	119,148	2,235,269	227,731
	83,329,417	-	5,494,148	77,835,269	6,127,731
Compensated absences payable	6,981	-	-	6,981	6,981
Derivative instrument - interest rate swaps	-	-	-	-	-
Total business-type activities long-term liabilities	<u>\$ 83,336,398</u>	<u>\$ -</u>	<u>\$ 5,494,148</u>	<u>\$ 77,842,250</u>	<u>\$ 6,134,712</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 \$213,000 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, 2022, principal and interest payments on all debt issues were approximately 11.5% of the pledged revenue. Principal and interest remaining to be paid on all debt issues is approximately \$257 million, based on market interest rates effective on June 30, 2022.

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, 2022

NOTE 10 - LONG-TERM DEBT - Continued

	Balance June 30, 2021	Additions and Transfers	Reductions and Transfers	Refundings / Retirements	Balance June 30, 2022	Due Within One Year
Component Units						
<i>Knoxville Utilities Board:</i>						
Revenue bonds	\$ 1,042,270,000	\$ 122,105,000	\$ 42,545,000	\$ 68,550,000	\$ 1,053,280,000	\$ 42,765,000
Other long-term liabilities:						
TVA conservation program	1,158,556	64,619	609,418	-	613,757	613,757
Compensated absences	10,341,485	22,498,166	22,080,547	-	10,759,104	3,000,000
Customer advances for construction	10,373,106	4,764,867	4,456,086	-	10,681,887	17,000
Other	<u>225,278</u>	<u>325,770</u>	<u>306,392</u>	<u>-</u>	<u>244,656</u>	<u>35,000</u>
Total Knoxville Utilities Board	<u>1,064,368,425</u>	<u>149,758,422</u>	<u>69,997,443</u>	<u>68,550,000</u>	<u>1,075,579,404</u>	<u>46,430,757</u>
<i>Metropolitan Knoxville Airport Authority:</i>						
Revenue/general obligation bonds	<u>34,295,000</u>	<u>-</u>	<u>5,410,000</u>	<u>-</u>	<u>28,885,000</u>	<u>-</u>
Total Metropolitan Knoxville Airport Authority	<u>34,295,000</u>	<u>-</u>	<u>5,410,000</u>	<u>-</u>	<u>28,885,000</u>	<u>-</u>
Total component units	<u>\$ 1,098,663,425</u>	<u>\$ 149,758,422</u>	<u>\$ 75,407,443</u>	<u>\$ 68,550,000</u>	<u>\$ 1,104,464,404</u>	<u>\$ 46,430,757</u>

NOTE 11 - LEASES

Primary Government

The City leases certain office space in the Emporium Building under a lease arrangement. The initial term is 10 years with two options to renew the lease for consecutive periods for five years each. The option to renew is considered in the lease liability if reasonably expected to renew. The lease matures on June 30, 2030. The interest rate on the lease is 2.5%.

Lease expense and changes in lease liabilities are as follows:

Lease expense	Year Ending June 30, 2022				
Amortization expense by class of underlying asset					
Building	<u>\$ 335,633</u>				
Total amortization expense	335,633				
Interest on lease liabilities	<u>71,742</u>				
Total	<u>\$ 407,375</u>				
	Year Ending June 30, 2021	Additions	Subtractions	Year Ending June 30, 2022	Amounts due within one year
Lease Assets					
Building	<u>\$ 3,020,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,020,698</u>	
	3,020,698	-	-	3,020,698	
Less: Accumulated Amortization					
Building	<u>-</u>	<u>(335,633)</u>	<u>-</u>	<u>(335,633)</u>	
	-	(335,633)	-	(335,633)	
Total Lease Assets, net	<u>\$ 3,020,698</u>	<u>\$ (335,633)</u>	<u>-</u>	<u>\$ 2,685,065</u>	
Lease Liabilities	<u>\$ 3,020,698</u>	<u>\$ -</u>	<u>\$ (274,494)</u>	<u>\$ 2,746,204</u>	<u>\$ 269,919</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - LEASES - Continued

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2022, are summarized as follows:

	Principal	Interest	Total Payments
2023	\$ 269,919	\$ 65,360	\$ 335,279
2024	303,386	57,972	361,358
2025	318,368	50,216	368,584
2026	333,876	42,080	375,956
2027	349,925	33,550	383,475
2028-2030	1,170,730	45,323	1,216,053
	<u>\$ 2,746,204</u>	<u>\$ 294,501</u>	<u>\$ 3,040,705</u>

Component Units

Knoxville Utilities Board

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	\$ 470,858	\$ 4,300,561	\$ (710,959)	\$ 4,060,460
Less current portion	\$ (377,192)			(844,904)
Long-term portion	<u>\$ 93,666</u>			<u>\$ 3,215,556</u>

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	\$ 844,904	\$ 135,482
2024	786,131	104,194
2025	832,194	76,468
2026	874,612	45,124
2027	704,021	11,660
2028-3032	10,266	235
2033-2037	8,332	67
	<u>\$ 4,060,460</u>	<u>\$ 373,230</u>

Right to use lease assets for KUB are included in capital assets at Note 8.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ 535,631	\$ -	\$ 161,100	\$ -	\$ 437,896	\$ 1,134,627
Prepays	-	-	-	-	-	-
Permanent Fund Principal	-	-	-	-	624,063	624,063
Restricted for:						
Street Improvements	-	-	-	-	4,314,836	4,314,836
Community Development	1,545,761	-	-	1,384,050	33,821	2,963,632
Law Enforcement	-	-	-	-	5,208,906	5,208,906
Parks & Recreation	-	-	-	-	291,374	291,374
Solid Waste Operations	-	-	-	-	4,486,126	4,486,126
Krutch Park	-	-	-	-	383,125	383,125
Committed to:						
Debt Service	-	63,969,522	-	-	-	63,969,522
Economic Stabilization	55,123,180	-	-	-	-	55,123,180
Contingency Fund	2,756,158	-	-	-	-	2,756,158
Recovery Grants	-	-	-	-	14,843,756	14,843,756
Other Capital Projects	-	-	117,751,604	-	-	117,751,604
Abandoned Vehicle Operations	-	-	-	-	788,183	788,183
City Inspections Operations	-	-	-	-	1,780,718	1,780,718
City Court Operations	-	-	-	-	1,144,276	1,144,276
Animal Control Operations	-	-	-	-	754,813	754,813
Beer Board	-	-	-	-	179,654	179,654
Finance & Accountability	5,415,228	-	-	-	432,494	5,847,722
Law Enforcement	-	-	-	-	852,513	852,513
Safety City	-	-	-	-	476,795	476,795
Storm Water Operations	-	-	-	-	2,180,973	2,180,973
Assigned to:						
Administration	1,489,696	-	-	-	-	1,489,696
Bond Rating Maintenance	13,780,795	-	-	-	-	13,780,795
Appropriated Fund Balance	-	-	-	-	-	-
Finance	1,074,515	-	-	-	-	1,074,515
Community Development	4,642,581	-	-	-	-	4,642,581
Law Enforcement	445,463	-	-	-	613,544	1,059,007
Public Services	741,499	-	-	-	-	741,499
Parks & Recreation	328,060	-	-	-	39,500	367,560
Unassigned	26,739,919	-	-	-	-	26,739,919
Total Fund Balances	<u>\$ 114,618,486</u>	<u>\$ 63,969,522</u>	<u>\$ 117,912,704</u>	<u>\$ 1,384,050</u>	<u>\$ 39,867,366</u>	<u>\$ 337,752,128</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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>2022</u>	<u>2021</u>
Estimated maximum claims liability, beginning of year	\$ 2,750,000	\$ 2,750,000
Provision for incurred claims	14,953,605	14,942,571
Payments made on claims	<u>(14,953,605)</u>	<u>(14,942,571)</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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Estimated maximum claims liability, beginning of year	\$ 17,700,000	\$ 17,700,000
Provision for incurred claims	3,553,763	1,139,580
Payments made on claims	<u>(3,553,763)</u>	<u>(1,139,580)</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, 2022

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2022, 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

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, 2022, the amount of these liabilities was \$2,252,221. An analysis of claims activity for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Estimated maximum claims liability, beginning of year	\$ 1,936,245	\$ 1,720,620
Provision for incurred claims	18,435,604	15,519,699
Payments made on claims	<u>(18,119,629)</u>	<u>(15,304,074)</u>
Estimated maximum claims liability, end of year	<u>\$ 2,252,220</u>	<u>\$ 1,936,245</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, 2022

NOTE 14 - JOINT VENTURES

The City is a participant in a joint venture with Knox County in the operation of the Sports Authority of the County of Knox and the City of Knoxville, Tennessee (Sports Authority). The Sports Authority was created (i) to plan, promote, finance, construct, acquire, renovate, equip and enlarge and operate sports complexes, stadiums, arenas, structures and facilities for public participation and enjoyment of professional and amateur sports, fitness, health and recreational activities, and (ii) to do what is reasonable and necessary to attract professional sports franchises to the City of Knoxville and Knox County thereby promoting economic development and prosperity. The Sports Authority is governed by a board of directors, having seven (7) directors, all of whom shall be duly qualified voters and taxpayers in the City of Knoxville and/or Knox County, Tennessee. Each director will be jointly appointed by the Commission of Knox County, Tennessee and the Council of the City of Knoxville, Tennessee. The City does not retain an equity interest in the joint venture. Complete separate financial statements for the Sports Authority may be obtained at their principal office located at 900 South Gay Street, Suite 1700, Knoxville, Tennessee 37902. No financial activity has occurred as of June 30, 2022.

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2021, 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 \$1,514,190 as an annual allocation with a maximum annual increase of current CPI of 3.5%, based on a formula. This agreement expires on June 30, 2026.

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 with a maximum of a 3% increase per calendar year 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.

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 has 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, 2022

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, 2022, 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, 2022:

	<u>Spent to Date</u>	<u>Contractual Commitment Remaining at June 30, 2022</u>
Access Improvements	\$ 439,125	\$ 5,495
Austin Homes Redevelopment	2,074,872	2,412,787
Bridge Maintenance	743,187	222,497
Building Improvements	1,013,409	49,441
Downtown Improvements	138,301	-
Drainage Improvements	1,103,761	30,573
Greenway Improvements	1,416,641	1,027,464
Information Technology Upgrades	986,500	226,067
New Sidewalk	1,683,261	1,206,946
Park Improvements	1,137,776	1,133,551
Paving Program	7,152,983	1,628,139
Public Safety Facilities	38,712,507	9,798,907
Roadway Improvements	7,645,023	2,132,928
Sidewalk Improvements	220,630	-
Solid Waste Facilities	1,000	500
Street Lighting	34,613	-
Streetscapes	53,552	522,192
Traffic Signal Upgrades	411,158	1,771,451
Urban Wilderness	78,416	231,084
Water Quality Improvements	216,278	7,524
Western Heights Revitalization	-	643,645
	<u>\$ 65,262,993</u>	<u>\$ 23,051,192</u>
Total	<u>\$ 65,262,993</u>	<u>\$ 23,051,192</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 6,191,702
Capital Projects	29,946,373
Miscellaneous CD Funds	
Miscellaneous Community Development Funds	1,052,468
Other Governmental Funds	
Special Revenue Funds	(625,639)
Miscellaneous Grants Funds	8,700,163
Total Other Governmental Funds	<u>8,074,524</u>
	<u>\$ 45,265,067</u>

Component units

Knoxville Utilities Board

Natural Gas Supply Contract Commitments - For fiscal year 2022, the Gas Division hedged 27 percent of its total gas purchases via gas supply contracts. As of June 30, 2022, the Gas Division had hedged the price on approximately 5 percent of its anticipated gas purchases for fiscal year 2023.

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

	2023	2024	2025	2026	2027	2028
Demand:						
Transportation	\$ 16,318,273	\$ 16,318,273	\$ 16,318,273	\$ 4,680,716	\$ -	\$ -
Storage	<u>4,666,344</u>	<u>4,612,344</u>	<u>4,457,334</u>	<u>1,890,348</u>	<u>1,380,120</u>	<u>1,035,090</u>
Demand total	<u>\$ 20,984,617</u>	<u>\$ 20,930,617</u>	<u>\$ 20,775,607</u>	<u>\$ 6,571,064</u>	<u>\$ 1,380,120</u>	<u>\$ 1,035,090</u>
	2023	2024	2025	2026	2027	2028-2052
Commodity:						
Baseload	<u>\$ 23,175,548</u>	<u>\$ 13,320,528</u>	<u>\$ 7,315,306</u>	<u>\$ 4,433,183</u>	<u>\$ 4,345,174</u>	<u>\$ 112,935,089</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 Enervest Operating LLC are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2022. 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, 2022.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Other Commitments and Contingencies

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

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 provided for a biologically enhanced high-rate clarification (the BEHRC) secondary treatment system to be installed at the Fourth Creek treatment plant and at the Kuwahee treatment plant. KUB successfully completed the installation of the BEHRC system at the Fourth Creek treatment plant in the 2018 fiscal year. The project at the Kuwahee treatment plant was completed this fiscal year. The total cost of the CCP improvements at the Fourth Creek treatment plant and Kuwahee treatment plant is approximately \$120 million.

KUB's funding plan for the Consent Decree included 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, 2022, the Wastewater Division had issued \$594.8 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, three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019, and three 4 percent rate increases, which are effective July 2022, July 2023, and July 2024. 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 432 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, 2022, the Wastewater Division had completed its 18th full year under the Consent Decree, spending \$579.8 million on capital investments to meet Consent Decree requirements. KUB's request for termination of the Consent Decree was submitted in January 2022 and was granted on June 16, 2022, by the applicable regulatory authorities.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 17 - BUSINESS AND CREDIT CONCENTRATIONS

The Authority is dependent to a large extent on five major airlines and their regional affiliates in that a significant portion of aviation area revenues are generated by these airlines. These airlines accounted for aviation area revenues totaling \$4,526,953 in 2022. 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 2022. As of June 30, 2022, 34% of trade accounts receivables are due from these major airlines. As of June 30, 2022, the Authority also had receivables from rental car companies which collectively accounted for 19% of trade accounts.

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, 2022

NOTE 18 – TRANSFERS - Continued

Transfers To:	Transfers From:														Total
	Governmental Activities										Business-type Activities		Internal Service Funds		
	General Fund	Debt Service	Capital Projects	State Street Aid	City Inspections	City Court	Miscellaneous Grants	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Convention Center	Fleet Maintenance	Risk Management	Health Insurance	
Primary Government:															
<i>Governmental Activities:</i>															
General Fund	\$ -	\$ 1,200,000	\$ -	\$ -	\$ -	\$ 157,220	\$ 3,266,687	\$ -	\$ -	\$ 96,801	\$ 500,000	\$ -	\$ -	\$ -	\$ 5,220,708
Debt Service	-	-	-	1,480,880	-	-	-	-	-	-	-	-	-	-	1,480,880
Capital Projects Fund	21,655,977	25,068,054	-	2,060,490	-	-	-	150,000	-	-	-	273,140	-	-	49,207,661
Abandoned Vehicles	286,350	-	-	-	-	-	-	-	-	-	-	-	-	-	286,350
City Inspections	179,207	-	-	-	-	-	-	-	-	-	-	-	-	-	179,207
City Court	11,683	-	-	-	-	-	-	-	-	-	-	-	-	-	11,683
Miscellaneous Grants	13,773	-	-	-	-	-	-	-	-	-	-	-	-	-	13,773
Miscellaneous Special Revenue Funds															
Revenue Funds	1,332,920	-	-	-	-	-	-	-	-	-	-	-	-	-	1,332,920
Storm Water	3,340,160	-	-	-	-	-	-	-	-	-	-	-	-	-	3,340,160
Solid Waste	8,097,280	-	-	-	-	-	-	-	-	-	-	-	-	-	8,097,280
<i>Business-type Activities:</i>															
Convention Center	4,702,873	-	-	-	-	-	-	-	-	-	-	-	-	-	4,702,873
Metro Parking	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	130,000
Public Assembly Facilities	5,114,120	1,100,000	-	-	-	-	-	-	-	-	-	-	-	-	6,214,120
Municipal Golf Courses	311,810	-	-	-	-	-	-	-	-	-	-	-	-	-	311,810
<i>Internal Service Funds:</i>															
Fleet Maintenance	119,826	-	19,758	-	-	-	-	-	13,058	-	-	-	-	-	152,642
Risk Management	6,676	-	-	-	-	-	-	-	-	-	-	-	-	-	6,676
Health Insurance	365,570	-	-	-	-	-	-	-	-	-	-	-	-	-	365,570
Equipment Replacement	528,893	-	303,972	-	324	-	-	-	1,608	-	4,998	12,549	3,998	36	856,378
City Buildings	287,300	-	-	-	-	-	-	-	-	-	-	-	-	-	287,300
	<u>\$ 46,484,418</u>	<u>\$ 27,368,054</u>	<u>\$ 323,730</u>	<u>\$ 3,541,370</u>	<u>\$ 324</u>	<u>\$ 157,220</u>	<u>\$ 3,266,687</u>	<u>\$ 150,000</u>	<u>\$ 14,666</u>	<u>\$ 96,801</u>	<u>\$ 504,998</u>	<u>\$ 285,689</u>	<u>\$ 3,998</u>	<u>\$ 36</u>	<u>\$ 82,197,991</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 five to ten 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, 2022

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 \$2,373,234 for 2022.

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, 2022

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms - Membership of the Plan consisted of the following at July 1, 2021, the date of the latest actuarial valuation:

Active participants	1,423
Vested terminated participants	129
Retired participants	2,047
 Total	 3,599

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 16 years remain at July 1, 2021. Projected covered payroll for the year beginning July 1, 2021 amounted to approximately \$76,345,000. The ratio of the net pension liability to the covered payroll was 182.60%.

The contributions for the year ended June 30, 2022 were based on the actuarial valuation as of July 1, 2021 (2021 contributions were based on the July 1, 2020 valuation). The table below shows the contribution rates as percentages of covered payroll.

<u>Plan</u>	<u>2022</u>	<u>2021</u>
C	17.65%	17.52%
A, B, G	7.35%	7.27%
H, general government	8.83%	8.85%
H, uniformed	12.96%	12.86%

amortization payments made by Plan, are as follows:

<u>Plan</u>	<u>2022</u>	<u>2021</u>
C	\$ 12,227,000	\$ 12,319,900
A, B, G (general government)	\$ 4,758,000	\$ 4,922,900
A, B (education)	\$ 2,373,000	\$ 2,422,900

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, 2022 and 2021 were \$47,601 and \$71,773, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2021, 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, 2022

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Actuarial assumptions: The total pension liability in the July 1, 2021 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	16 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, 2021 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, 2021 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, 2021 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, 2022

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Asset Class	30-Year Expected Nominal Return*	30-Year Expected Real Return
Large Cap Value Stocks	7.50 %	5.00 %
Large Cap Growth Stocks	7.50	5.00
Small-Mid Cap Growth Stocks	8.00	5.50
Small-Mid Cap Value Stocks	8.00	5.50
Developed International Value Stocks	7.60	5.10
Global Low Volatility	7.60	5.10
Emerging Markets Debt	6.80	4.30
Emerging Markets Stocks	8.00	5.50
Defensive Equity	4.90	2.40
Core Fixed Income	4.10	1.60
Long-Term Government Fixed Income	2.70	0.20
TIPS	3.30	0.80
Private Equity	11.10	8.60
Core Real Estate	7.40	4.90
Real Assets	7.60	5.10
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 contribution 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, 2022

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, 2021 (July 1, 2020 measurement)	\$ 836,035,551	\$ 603,054,859	\$ 232,980,692
Changes for the year:			
Service cost	13,360,812	-	13,360,812
Interest expense	59,100,941	-	59,100,941
Experience losses (gains)	2,107,579	-	2,107,579
Change of assumptions	-	-	-
Contributions - City	-	28,947,231	(28,947,231)
Contributions - members	-	4,430,409	(4,430,409)
Net investment income (loss)	-	135,614,528	(135,614,528)
Refunds of contributions	(804,450)	(804,450)	-
Benefits paid	(51,710,350)	(51,710,349)	(1)
Plan administrative expenses	-	(697,182)	697,182
Net changes	<u>22,054,532</u>	<u>115,780,187</u>	<u>(93,725,655)</u>
Balances at June 30, 2022 (July 1, 2021 measurement)	<u>\$ 858,090,083</u>	<u>\$ 718,835,046</u>	<u>\$ 139,255,037</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	\$ 238,688,258	\$ 139,255,037	\$ 56,159,576

* 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, 2022

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, 2022, the City recognized pension expense of 12,597,598. At June 30, 2022, 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	\$ 3,027,839	\$ 3,544,586
Change in assumptions	5,990,143	-
Net difference between projected and actual earnings on investments	-	44,374,455
Contributions made subsequent to the measurement date	<u>28,650,787</u>	<u>-</u>
Total	<u>\$ 37,668,769</u>	<u>\$ 47,919,041</u>

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 <u>June 30,</u>	
2023	(4,625,035)
2024	(5,975,095)
2025	(11,119,693)
2026	(17,409,070)
2027	(73,246)
Thereafter	301,081

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, 2022, the City reported no contributions payable to the pension plan required for the year ended June 30, 2022.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 \$470,178 in fiscal 2022.

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 \$180,659 in fiscal 2022.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the City and the retirees contributed \$1,025,345.

Employees covered by the benefit terms

At the measurement date of June 30, 2022, 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 \$18,510,370 was measured as of June 30, 2022, 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, 2022

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

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2022 actuarial valuation, measured as of June 30, 2022, 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, 2022.

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, 2022

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

Changes in the Total OPEB liability

	Total OPEB Liability
Balances at June 30, 2021	\$ 18,344,551
Changes for the year:	
Service cost	796,247
Interest expense	394,917
Experience losses (gains)	-
Change of assumptions	-
Benefits paid	(1,025,345)
Net changes	165,819
Balances at June 30, 2022	\$ 18,510,370

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	\$ 19,790,547	\$ 18,510,370	\$ 17,298,258

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	\$ 16,505,715	\$ 18,510,370	\$ 20,875,720

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the City recognized OPEB expense of \$914,320. At June 30, 2022, 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	\$ 3,919,063	\$ 130,353
Change in assumptions	498,651	-
Total	\$ 4,417,714	\$ 130,353

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,	
2023	748,501
2024	748,501
2025	748,501
2026	748,501
2027	748,507
Thereafter	544,850

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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. Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, giving that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement. 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	\$13,087,853
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	21,305,955
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	2,209,682
Accounts payable to the Knoxville Utilities Board	828,238

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 46 active PILOT agreements, with an estimated \$3,535,534 abated in fiscal 2022.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 \$3,817,607 abated in 2022.

	City of Knoxville Tax Abatements		
	PILOT	TIF	Total
2022	\$ 3,535,534	\$ 3,817,606	\$ 7,353,140
1 - 5 years	16,800,555	17,322,721	34,123,276
6 - 10 years	12,900,264	12,270,846	25,171,110
11 - 15 years	4,465,854	9,914,458	14,380,312
16 - 20 years	1,154,533	8,704,298	9,858,831
20 + years	181,284	6,795,780	6,977,064
Total Taxes Abated Over the Next 20+ years	\$ 39,038,024	\$ 58,825,709	\$ 97,863,733

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

Certain capital expenditures in fiscal year 2021 were reflected as expenses in the statement of activities that should have been reported as construction in progress in the statement of net position.

	Statement of Activities Governmental Activities
Net position - beginning of year, as previously reported	\$ 591,398,768
Adjustment to record construction in progress	5,514,159
Net position - beginning of year, as restated	\$ 596,912,927

Component Unit

Knoxville Area Transit

During fiscal year 2021, certain grant revenue was inadvertently overstated by the City.

	Statement of Activities
Net position - beginning of year, as previously reported	\$ 44,256,808
Adjustment to grant revenue	(3,398,481)
Net position - beginning of year, as restated	\$ 40,858,327

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CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2022

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 13.4	\$ 13.2	\$ 13.0	\$ 13.0	\$ 13.1	\$ 13.1	\$ 12.6	\$ 12.3
Interest	59.1	57.9	56.4	55.1	52.5	51.8	50.9	49.4
Differences between expected and actual experience	2.1	(2.6)	2.1	(1.9)	(3.7)	2.1	(6.1)	0.9
Changes in assumptions	-	-	-	-	21.0	-	-	-
Benefit payments/refunds	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Net change in total pension liability	22.1	17.4	24.0	18.7	36.7	22.3	13.9	20.3
Total pension liability, beginning	836.0	818.6	794.6	775.9	739.2	716.9	703.0	682.7
Total pension liability, ending (a)	\$ 858.1	\$ 836.0	\$ 818.6	\$ 794.6	\$ 775.9	\$ 739.2	\$ 716.9	\$ 703.0
Plan Fiduciary Net Position								
Contributions - employer	\$ 28.9	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9	\$ 22.6	\$ 15.2
Contributions - employee	4.4	4.4	4.3	4.2	4.4	4.4	4.1	4.0
Net investment income	135.5	15.1	30.8	37.6	63.3	(1.0)	7.9	87.1
Benefit payments/refunds	(52.5)	(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)	(0.7)	(0.8)
Net change in plan fiduciary net position	\$ 115.7	\$ (3.1)	\$ 15.6	\$ 19.3	\$ 44.6	\$ (18.1)	\$ (9.6)	\$ 63.2
Plan fiduciary net position - beginning	603.1	606.2	590.6	571.3	526.7	544.8	554.4	491.2
Plan fiduciary net position - ending (b)	\$ 718.8	\$ 603.1	\$ 606.2	\$ 590.6	\$ 571.3	\$ 526.7	\$ 544.8	\$ 554.4
Net pension liability - ending (a) - (b)	\$ 139.3	\$ 232.9	\$ 212.4	\$ 204.0	\$ 204.6	\$ 212.5	\$ 172.1	\$ 148.6
Plan fiduciary net position as a % of the total pension liability	83.8%	72.1%	74.1%	74.3%	73.6%	71.3%	76.0%	78.9%
Covered payroll	76.3	74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5	\$ 71.0	\$ 69.9
Net pension liability as a % of covered payroll	182.6%	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, 2022

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

Unaudited - See Independent Auditor's Report

	June 30, 2022	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	\$ 28.7	\$ 28.9	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9	\$ 22.6	\$ 20.9
Contributions in relation to the actuarially determined contribution	28.7	28.9	29.2	28.7	25.7	23.8	23.9	22.6	20.9
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 85.6	\$ 76.3	\$ 74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5	\$ 71.0	\$ 69.9
Contributions as a percentage of covered payroll	33.5%	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, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Actuarially determined contribution	\$ 3,416,428	\$ 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	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 38,074,863	\$ 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	8.97%	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, 2022

Schedule of Changes in Total OPEB Liability and Related Ratios

Unaudited - See Independent Auditor's Report

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 796,247	\$ 688,710	\$ 655,914	\$ 624,680	\$ 436,576
Interest	394,917	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>(1,025,345)</u>	<u>(965,031)</u>	<u>(1,066,425)</u>	<u>(992,024)</u>	<u>(384,860)</u>
Net change in total OPEB liability	165,819	2,606,877	16,652	4,469,268	140,412
Total OPEB liability-beginning	<u>18,344,551</u>	<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>\$ 18,510,370</u>	<u>\$ 18,344,551</u>	<u>\$ 15,737,674</u>	<u>\$ 15,721,022</u>	<u>\$ 11,251,754</u>
Covered-employee payroll	\$ 64,068,083	\$ 61,515,202	\$ 66,732,474	\$ 64,073,427	\$ 76,085,183
Total OPEB liability as a percentage of covered-employee payroll	28.9%	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, 2022

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Assets						
Cash and cash equivalents	\$ 100	\$ 93	\$ 329	\$ 200	\$ 5,055	\$ 5,896,300
Investments	5,300,655	-	854,707	1,892,130	1,192,504	-
Accounts receivable	1,155,733	950,688	947	20,510	5,822	975,358
Notes receivable	-	1,315,211	-	-	-	-
Inventories	390,039	47,857	-	-	-	-
Due from other funds	-	-	-	-	-	9,453,853
Total assets	\$ 6,846,527	\$ 2,313,849	\$ 855,983	\$ 1,912,840	\$ 1,203,381	\$ 16,325,511
Liabilities						
Accounts payable	\$ 81,062	\$ 242,498	\$ 48,398	\$ 39,051	\$ 30,648	\$ 290,623
Accrued liabilities	-	28,671	17,901	89,820	29,224	16,943
Customer deposits	-	25,261	-	-	-	-
Due to other funds	2,060,590	654,351	1,501	3,251	-	906,571
Due to other governmental agencies	-	-	-	-	(767)	-
Total liabilities	2,141,652	950,781	67,800	132,122	59,105	1,214,137
Deferred inflows of resources						
Unavailable revenue - other	-	1,315,211	-	-	-	48,928
Total deferred inflows of resources	-	1,315,211	-	-	-	48,928
Fund balances						
Non-spendable	390,039	47,857	-	-	-	-
Restricted	4,314,836	-	-	-	-	-
Committed	-	-	788,183	1,780,718	1,144,276	15,062,446
Assigned	-	-	-	-	-	-
Total fund balances	4,704,875	47,857	788,183	1,780,718	1,144,276	15,062,446
Total liabilities, deferred inflows of resources and fund balances	\$ 6,846,527	\$ 2,313,849	\$ 855,983	\$ 1,912,840	\$ 1,203,381	\$ 16,325,511

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	\$ 969,565	\$ 335,423	\$ 100	\$ -	\$ 7,207,265	\$ 442,296	\$ 7,649,561
792,399	8,544,985	1,974,214	5,603,002	-	26,154,596	564,892	26,719,488
321	193,839	5,274	33,232	-	3,341,724	-	3,341,724
-	2,390,000	-	-	-	3,705,211	-	3,705,211
-	-	-	-	-	437,896	-	437,896
-	-	-	-	-	9,453,853	-	9,453,853
<u>\$ 792,820</u>	<u>\$ 12,098,389</u>	<u>\$ 2,314,911</u>	<u>\$ 5,636,334</u>	<u>\$ -</u>	<u>\$ 50,300,545</u>	<u>\$ 1,007,188</u>	<u>\$ 51,307,733</u>
\$ 907	\$ 104,385	\$ 21,016	\$ 1,038,637	\$ -	\$ 1,897,225	\$ -	\$ 1,897,225
-	38,374	109,668	32,722	-	363,323	-	363,323
-	804,637	-	-	-	829,898	-	829,898
37,100	674,073	3,254	78,849	-	4,419,540	-	4,419,540
-	19,009	-	-	-	18,242	-	18,242
<u>38,007</u>	<u>1,640,478</u>	<u>133,938</u>	<u>1,150,208</u>	<u>-</u>	<u>7,528,228</u>	<u>-</u>	<u>7,528,228</u>
-	2,548,000	-	-	-	3,912,139	-	3,912,139
-	2,548,000	-	-	-	3,912,139	-	3,912,139
-	-	-	-	-	437,896	624,063	1,061,959
-	5,534,101	-	4,486,126	-	14,335,063	383,125	14,718,188
754,813	1,722,766	2,180,973	-	-	23,434,175	-	23,434,175
-	653,044	-	-	-	653,044	-	653,044
<u>754,813</u>	<u>7,909,911</u>	<u>2,180,973</u>	<u>4,486,126</u>	<u>-</u>	<u>38,860,178</u>	<u>1,007,188</u>	<u>39,867,366</u>
<u>\$ 792,820</u>	<u>\$ 12,098,389</u>	<u>\$ 2,314,911</u>	<u>\$ 5,636,334</u>	<u>\$ -</u>	<u>\$ 50,300,545</u>	<u>\$ 1,007,188</u>	<u>\$ 51,307,733</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	\$ 6,644,639	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits & inspection charges	-	-	-	3,294,580	-	-
Intergovernmental	-	2,456,195	-	-	197,299	27,008,948
Charges for services	-	-	395,639	-	14,325	54,296
Fines & forfeitures	-	-	-	-	1,133,995	-
Other	7,051	116,091	539,376	3,978	40,514	11,149
Total revenues	<u>6,651,690</u>	<u>2,572,286</u>	<u>935,015</u>	<u>3,298,558</u>	<u>1,386,133</u>	<u>27,074,393</u>
Expenditures						
Current:						
Administration	-	-	-	-	-	3,182,727
Finance	-	-	-	-	-	2,260,197
Community Development	-	2,572,286	-	-	-	625,366
Parks and Recreation	-	-	-	-	-	1,126
Engineering	2,775,822	-	921,980	-	-	37,030
Public Services	-	-	-	2,885,789	-	27,545
Law	-	-	-	-	990,656	-
Police	-	-	-	-	-	1,752,108
Emergency Management	-	-	-	-	-	12,198
Fire	-	-	-	-	-	428,060
Legislative	-	-	-	-	-	-
Total expenditures	<u>2,775,822</u>	<u>2,572,286</u>	<u>921,980</u>	<u>2,885,789</u>	<u>990,656</u>	<u>8,326,357</u>
Excess (deficiency) of revenues over (under) expenditures	3,875,868	-	13,035	412,769	395,477	18,748,036
Other financing sources (uses)						
Transfers in	-	-	286,350	179,207	11,683	13,773
Transfers out	(3,541,370)	-	-	(324)	(157,220)	(3,266,687)
Total other financing sources (uses)	<u>(3,541,370)</u>	<u>-</u>	<u>286,350</u>	<u>178,883</u>	<u>(145,537)</u>	<u>(3,252,914)</u>
Net changes in fund balances	334,498	-	299,385	591,652	249,940	15,495,122
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 4,704,875</u>	<u>\$ 47,857</u>	<u>\$ 788,183</u>	<u>\$ 1,780,718</u>	<u>\$ 1,144,276</u>	<u>\$ 15,062,446</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,644,639	\$ -	\$ 6,644,639
-	-	-	-	-	3,294,580	-	3,294,580
-	35,362	-	81,713	-	29,779,517	-	29,779,517
42,696	47,552	343,355	2,406,279	199,998	3,504,140	-	3,504,140
-	1,006,377	-	-	-	2,140,372	-	2,140,372
1,624	410,094	4,153	54,703	-	1,188,733	13,001	1,201,734
<u>44,320</u>	<u>1,499,385</u>	<u>347,508</u>	<u>2,542,695</u>	<u>199,998</u>	<u>46,551,981</u>	<u>13,001</u>	<u>46,564,982</u>
-	465,791	-	-	-	3,648,518	20,886	3,669,404
-	-	-	-	199,998	2,460,195	-	2,460,195
-	296,686	-	-	-	3,494,338	-	3,494,338
-	147,864	-	-	-	148,990	-	148,990
-	-	3,394,200	-	-	7,129,032	-	7,129,032
44,062	-	-	10,227,531	-	13,184,927	-	13,184,927
-	-	-	-	-	990,656	-	990,656
-	878,112	-	-	-	2,630,220	-	2,630,220
-	-	-	-	-	12,198	-	12,198
-	13,116	-	-	-	441,176	-	441,176
-	4,200	-	-	-	4,200	-	4,200
<u>44,062</u>	<u>1,805,769</u>	<u>3,394,200</u>	<u>10,227,531</u>	<u>199,998</u>	<u>34,144,450</u>	<u>20,886</u>	<u>34,165,336</u>
258	(306,384)	(3,046,692)	(7,684,836)	-	12,407,531	(7,885)	12,399,646
-	1,332,920	3,340,160	8,097,280	-	13,261,373	-	13,261,373
-	(150,000)	(14,666)	(96,801)	-	(7,227,068)	-	(7,227,068)
-	<u>1,182,920</u>	<u>3,325,494</u>	<u>8,000,479</u>	-	<u>6,034,305</u>	-	<u>6,034,305</u>
258	876,536	278,802	315,643	-	18,441,836	(7,885)	18,433,951
<u>754,555</u>	<u>7,033,375</u>	<u>1,902,171</u>	<u>4,170,483</u>	-	<u>20,418,342</u>	<u>1,015,073</u>	<u>21,433,415</u>
<u>\$ 754,813</u>	<u>\$ 7,909,911</u>	<u>\$ 2,180,973</u>	<u>\$ 4,486,126</u>	<u>\$ -</u>	<u>\$ 38,860,178</u>	<u>\$ 1,007,188</u>	<u>\$ 39,867,366</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
 STATE STREET AID
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues:				
Taxes, assessments, interest & penalties	\$ 6,200,000	\$ 6,200,000	\$ 6,644,639	\$ 444,639
Other	3,000	3,568	7,051	3,483
Total revenues	<u>6,203,000</u>	<u>6,203,568</u>	<u>6,651,690</u>	<u>448,122</u>
Expenditures				
Current:				
Engineering	<u>2,661,630</u>	<u>2,662,198</u>	<u>2,775,822</u>	<u>(113,624)</u>
Total expenditures	<u>2,661,630</u>	<u>2,662,198</u>	<u>2,775,822</u>	<u>(113,624)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,541,370</u>	<u>3,541,370</u>	<u>3,875,868</u>	<u>334,498</u>
Other financing sources (uses)				
Transfers out	<u>(3,541,370)</u>	<u>(3,541,370)</u>	<u>(3,541,370)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,541,370)</u>	<u>(3,541,370)</u>	<u>(3,541,370)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	334,498	<u>\$ 334,498</u>
Fund balance - beginning			<u>4,370,377</u>	
Fund balance - ending			<u>\$ 4,704,875</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Intergovernmental	\$ 1,787,840	\$ 1,787,840	\$ 2,456,195	\$ 668,355
Other	120,000	120,000	116,091	(3,909)
Total revenues	<u>1,907,840</u>	<u>1,907,840</u>	<u>2,572,286</u>	<u>664,446</u>
Expenditures:				
Current:				
Community Development	<u>1,907,840</u>	<u>1,907,840</u>	<u>2,572,286</u>	<u>(664,446)</u>
Total expenditures	<u>1,907,840</u>	<u>1,907,840</u>	<u>2,572,286</u>	<u>(664,446)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues:				
Charges for services:	\$ 275,000	\$ 275,000	\$ 395,639	\$ 120,639
Other	326,000	326,014	539,376	213,362
Total revenues	601,000	601,014	935,015	334,001
Expenditures				
Current:				
Fleet	887,350	887,364	921,980	(34,616)
Total expenditures	887,350	887,364	921,980	(34,616)
Excess (deficiency) of revenues over (under) expenditures	(286,350)	(286,350)	13,035	299,385
Other financing sources (uses)				
Transfers in	286,350	286,350	286,350	-
Total other financing sources (uses)	286,350	286,350	286,350	-
Net changes in fund balances	\$ -	\$ -	299,385	\$ 299,385
Fund balance - beginning			488,798	
Fund balance - ending			\$ 788,183	

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, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With</u>
				<u>Final Budget</u>
Revenues				
Licenses, permits & inspection charges	\$ 3,092,780	\$ 3,092,780	\$ 3,294,580	\$ 201,800
Other	1,500	1,500	3,978	2,478
Total revenues	<u>3,094,280</u>	<u>3,094,280</u>	<u>3,298,558</u>	<u>204,278</u>
Expenditures				
Current:				
Inspections	<u>3,274,810</u>	<u>3,303,687</u>	<u>2,885,789</u>	<u>417,898</u>
Total expenditures	<u>3,274,810</u>	<u>3,303,687</u>	<u>2,885,789</u>	<u>417,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(180,530)</u>	<u>(209,407)</u>	<u>412,769</u>	<u>622,176</u>
Other financing sources (uses)				
Transfers in	150,000	179,207	179,207	-
Transfers out	-	(330)	(324)	6
Appropriated fund balance	<u>30,530</u>	<u>30,530</u>	<u>-</u>	<u>(30,530)</u>
Total other financing sources (uses)	<u>180,530</u>	<u>209,407</u>	<u>178,883</u>	<u>(30,524)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	591,652	<u>\$ 591,652</u>
Fund balance - beginning			<u>1,189,066</u>	
Fund balance - ending			<u>\$ 1,780,718</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenue				
Intergovernmental	\$ 215,000	\$ 215,000	\$ 197,299	\$ (17,701)
Charges for services	20,000	20,000	14,325	(5,675)
Fines & forfeitures	1,100,000	1,100,000	1,133,995	33,995
Other	13,500	13,739	40,514	26,775
Total revenues	<u>1,348,500</u>	<u>1,348,739</u>	<u>1,386,133</u>	<u>37,394</u>
Expenditures				
Current:				
Law	1,191,280	1,203,202	990,656	212,546
Total expenditures	<u>1,191,280</u>	<u>1,203,202</u>	<u>990,656</u>	<u>212,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>157,220</u>	<u>145,537</u>	<u>395,477</u>	<u>249,940</u>
Other financing sources (uses)				
Transfers in	-	11,683	11,683	-
Transfers out	(157,220)	(157,220)	(157,220)	-
Total other financing sources (uses)	<u>(157,220)</u>	<u>(145,537)</u>	<u>(145,537)</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	249,940	<u>\$ 249,940</u>
Fund balance - beginning			<u>894,336</u>	
Fund balance - ending			<u>\$ 1,144,276</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Charges for services	\$ 37,000	\$ 37,000	\$ 42,696	\$ 5,696
Other	2,500	2,500	1,624	(876)
Total revenues	<u>39,500</u>	<u>39,500</u>	<u>44,320</u>	<u>4,820</u>
Expenditures				
Current:				
Public services	45,000	45,000	44,062	938
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>44,062</u>	<u>938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,500)</u>	<u>(5,500)</u>	<u>258</u>	<u>5,758</u>
Other financing sources (uses)				
Appropriated fund balance	5,500	5,500	-	(5,500)
Total other financing sources (uses)	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>(5,500)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>258</u>	<u>\$ 258</u>
Fund balances - beginning			<u>754,555</u>	
Fund balances - ending			<u>\$ 754,813</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 35,362	\$ (49,638)
Charges for services	57,500	57,500	47,552	(9,948)
Fines & forfeitures	773,000	773,000	1,006,377	233,377
Other	124,550	176,808	410,094	233,286
Total revenues	<u>1,040,050</u>	<u>1,092,308</u>	<u>1,499,385</u>	<u>407,077</u>
Expenditures				
Current:				
Administration	925,090	925,090	465,791	459,299
Community Development	3,000	3,000	245,006	(242,006)
Parks and Recreation	205,100	274,100	147,864	126,236
Public services	2,500	2,500	-	2,500
Police	1,575,790	1,634,848	878,112	756,736
Fire	5,250	20,370	13,116	7,254
Legislative	155,000	155,000	4,200	150,800
Total expenditures	<u>2,871,730</u>	<u>3,014,908</u>	<u>1,754,089</u>	<u>1,260,819</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,831,680)</u>	<u>(1,922,600)</u>	<u>(254,704)</u>	<u>1,667,896</u>
Other financing sources (uses)				
Transfers in	1,269,780	1,281,240	1,332,920	51,680
Transfers out	(150,000)	(150,000)	(150,000)	-
Appropriated fund balance	711,900	791,360	(51,680)	(843,040)
Total other financing sources (uses)	<u>1,831,680</u>	<u>1,922,600</u>	<u>1,131,240</u>	<u>(791,360)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	876,536	<u>\$ 876,536</u>
Fund balances - beginning			<u>7,033,375</u>	
Fund balances - ending			<u>\$ 7,909,911</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, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With</u>
				<u>Final Budget</u>
Revenues				
Charges for services	\$ 313,000	\$ 313,000	\$ 343,355	\$ 30,355
Other	500	(2,087)	4,153	6,240
Total revenues	<u>313,500</u>	<u>310,913</u>	<u>347,508</u>	<u>36,595</u>
Expenditures				
Current:				
Engineering	<u>3,653,660</u>	<u>3,636,223</u>	<u>3,394,200</u>	<u>242,023</u>
Total expenditures	<u>3,653,660</u>	<u>3,636,223</u>	<u>3,394,200</u>	<u>242,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,340,160)</u>	<u>(3,325,310)</u>	<u>(3,046,692)</u>	<u>278,618</u>
Other financing sources (uses)				
Transfers in	3,340,160	3,340,160	3,340,160	-
Transfers out	-	(14,850)	(14,666)	184
Total other financing sources (uses)	<u>3,340,160</u>	<u>3,325,310</u>	<u>3,325,494</u>	<u>184</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	278,802	<u>\$ 278,802</u>
Fund balance - beginning			<u>1,902,171</u>	
Fund balance - ending			<u>\$ 2,180,973</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Charges for services	\$ 1,900,000	\$ 1,900,000	\$ 2,406,279	\$ 506,279
Intergovernmental	113,000	113,000	81,713	(31,287)
Other	55,200	709,085	54,703	(654,382)
Total revenues	<u>2,068,200</u>	<u>2,722,085</u>	<u>2,542,695</u>	<u>(179,390)</u>
Expenditures				
Current:				
Public Services	10,165,480	10,722,555	10,227,531	495,024
Total expenditures	<u>10,165,480</u>	<u>10,722,555</u>	<u>10,227,531</u>	<u>495,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,097,280)</u>	<u>(8,000,470)</u>	<u>(7,684,836)</u>	<u>315,634</u>
Other financing sources (uses)				
Transfers in	8,097,280	8,097,280	8,097,280	-
Transfers out	-	(96,810)	(96,801)	9
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>8,097,280</u>	<u>8,000,470</u>	<u>8,000,479</u>	<u>9</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	315,643	<u>\$ 315,643</u>
Fund balance - beginning			<u>4,170,483</u>	
Fund balance - ending			<u>\$ 4,486,126</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, 2022

Assets

Cash and cash equivalents	\$	100
Investments		72,627,149
Accounts receivable		104,183
Taxes receivable		12,131,873
Total assets	\$	<u>84,863,305</u>

Liabilities

Due to other funds	\$	8,867,166
Due to other governmental agencies		<u>2,586</u>
Total liabilities		<u>8,869,752</u>

Deferred inflows of resources

Unavailable revenue - property taxes		<u>12,024,031</u>
Total deferred inflows of resources		<u>12,024,031</u>

Fund balances

Committed		<u>63,969,522</u>
Total fund balance		<u>63,969,522</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>84,863,305</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, 2022

	Budget		Actual	Variance
	Original	Final		With Final Budget
Revenues				
Taxes, assessments, interest & penalties	\$ 10,920,670	\$ 10,920,670	\$ 15,742,964	\$ 4,822,294
Other	378,850	378,850	376,882	(1,968)
Total revenues	<u>11,299,520</u>	<u>11,299,520</u>	<u>16,119,846</u>	<u>4,820,326</u>
Expenditures				
Current:				
Debt service:				
Issuance costs	-	135,000	134,764	236
Principal retirement	6,750,000	6,150,000	6,130,000	20,000
Interest payments on bonds & notes	<u>5,028,440</u>	<u>4,428,440</u>	<u>4,378,502</u>	<u>49,938</u>
Total expenditures	<u>11,778,440</u>	<u>10,713,440</u>	<u>10,643,266</u>	<u>70,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(478,920)</u>	<u>586,080</u>	<u>5,476,580</u>	<u>4,890,500</u>
Other financing sources (uses)				
Bonds proceeds	-	-	16,803,499	16,803,499
Debt issue premium	-	-	1,499,319	1,499,319
Transfers in	1,480,880	1,480,880	1,480,880	-
Transfers out	(8,000,000)	(27,370,000)	(27,368,054)	1,946
Other appropriated fund balance	<u>6,998,040</u>	<u>25,303,040</u>	<u>-</u>	<u>(25,303,040)</u>
Total other financing sources (uses)	<u>478,920</u>	<u>(586,080)</u>	<u>(7,584,356)</u>	<u>(6,998,276)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,107,776)</u>	<u>\$ (2,107,776)</u>
Fund balance - beginning			<u>66,077,298</u>	
Fund balance - ending			<u>\$ 63,969,522</u>	

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

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2022

Assets

Cash and cash equivalents	\$	7,557,309
Investments		88,775,643
Accounts receivable		3,029,356
Inventory		161,100
Due from component unit		11,948,352
Due from other funds		19,654,660
Total assets	\$	<u>131,126,420</u>

Liabilities

Accounts payable	\$	9,615,632
Accrued liabilities		1,555,806
Due to other funds		98,562
Total liabilities		<u>11,270,000</u>

Deferred inflows of resources

Unavailable revenue - other		<u>1,943,716</u>
Total deferred inflows of resources		<u>1,943,716</u>

Fund balance

Nonspendable		161,100
Committed		<u>117,751,604</u>
Total fund balance		<u>117,912,704</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u>131,126,420</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, 2022

	<u>Actual</u>		<u>Total to Date</u>	<u>Project Authorization</u>	<u>Variance With Final Budget</u>
	<u>Prior Years</u>	<u>Current Year</u>			
Revenues					
Intergovernmental	\$ 55,379,917	\$ 2,989,108	\$ 58,369,025	\$ 96,671,653	\$ (38,302,628)
Other	46,181,938	3,494,568	49,676,506	31,645,857	18,030,649
Total revenues	<u>101,561,855</u>	<u>6,483,676</u>	<u>108,045,531</u>	<u>128,317,510</u>	<u>(20,271,979)</u>
Expenditures					
Current:					
Capital & grant projects	466,962,089	66,356,316	533,318,405	572,364,942	39,046,537
Total expenditures	<u>466,962,089</u>	<u>66,356,316</u>	<u>533,318,405</u>	<u>572,364,942</u>	<u>39,046,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(365,400,234)</u>	<u>(59,872,640)</u>	<u>(425,272,874)</u>	<u>(444,047,432)</u>	<u>18,774,558</u>
Other financing sources (uses)					
Bonds proceeds	46,745,932	-	46,745,932	128,014,407	(81,268,475)
Debt issue premium	527,039	-	527,039	-	527,039
Transfers in	383,419,667	49,207,661	432,627,328	316,033,025	116,594,303
Transfers out	(7,382,788)	(323,730)	(7,706,518)	-	(7,706,518)
Total other financing sources (uses)	<u>423,309,850</u>	<u>48,883,931</u>	<u>472,193,781</u>	<u>444,047,432</u>	<u>28,146,349</u>
Net changes in fund balance	<u>\$ 57,909,616</u>	<u>(10,988,709)</u>	<u>\$ 46,920,907</u>	<u>\$ -</u>	<u>\$ 46,920,907</u>
Fund balance - beginning		<u>128,901,413</u>			
Fund balance - ending		<u>\$ 117,912,704</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, 2022**

Assets	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Current assets				
Cash & temporary investments	\$ 400,100	\$ 7,632,643	\$ 864,812	\$ 8,897,555
Investments	7,585,316	5,574,784	891,124	14,051,224
Accounts receivable	223,460	210,427	2,009	435,896
Due from other funds	-	-	-	-
Inventories	-	1,500	19,580	21,080
Prepaid items	-	29,914	71,550	101,464
Total current assets	<u>8,208,876</u>	<u>13,449,268</u>	<u>1,849,075</u>	<u>23,507,219</u>
Noncurrent assets				
Land and site improvements	2,079,796	1,831,368	473,119	4,384,283
Buildings and improvements	40,998,627	31,567,898	13,470	72,579,995
Equipment, furniture and fixtures	1,603,759	3,771,701	126,412	5,501,872
Infrastructure and site improvements	-	118,960	1,084,127	1,203,087
Construction in progress	-	-	-	-
Less: accumulated depreciation	<u>(23,276,646)</u>	<u>(23,153,110)</u>	<u>(468,137)</u>	<u>(46,897,893)</u>
Total capital assets (net of accumulated depreciation)	21,405,536	14,136,817	1,228,991	36,771,344
Equity interest in joint venture	-	-	-	-
Total noncurrent assets	<u>21,405,536</u>	<u>14,136,817</u>	<u>1,228,991</u>	<u>36,771,344</u>
Total assets	<u>29,614,412</u>	<u>27,586,085</u>	<u>3,078,066</u>	<u>60,278,563</u>
Liabilities				
Current liabilities				
Accounts payable	45,229	626,455	216,257	887,941
Accrued liabilities	14,043	669,194	-	683,237
Unearned revenue	-	141,098	22,477	163,575
Due to other funds	402,009	865,989	555,673	1,823,671
Total current liabilities	<u>461,281</u>	<u>2,302,736</u>	<u>794,407</u>	<u>3,558,424</u>
Total liabilities	<u>461,281</u>	<u>2,302,736</u>	<u>794,407</u>	<u>3,558,424</u>
Deferred inflows of resources				
Pensions	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	21,405,536	14,136,817	1,228,991	36,771,344
Unrestricted	<u>7,747,595</u>	<u>11,146,532</u>	<u>1,054,668</u>	<u>19,948,795</u>
Total net position	<u>\$ 29,153,131</u>	<u>\$ 25,283,349</u>	<u>\$ 2,283,659</u>	<u>\$ 56,720,139</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, 2022

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 3,709,009	\$ 4,850,085	\$ 1,569,171	\$ 10,128,265
Total operating revenues	<u>3,709,009</u>	<u>4,850,085</u>	<u>1,569,171</u>	<u>10,128,265</u>
Operating expenses				
Personal services	196,962	-	-	196,962
Materials & supplies	50,491	42,784	47,285	140,560
Depreciation & amortization	1,352,115	1,196,456	59,483	2,608,054
Other operating expenses	2,620,454	7,549,590	1,569,563	11,739,607
Total operating expenses	<u>4,220,022</u>	<u>8,788,830</u>	<u>1,676,331</u>	<u>14,685,183</u>
Operating income (loss)	<u>(511,013)</u>	<u>(3,938,745)</u>	<u>(107,160)</u>	<u>(4,556,918)</u>
Nonoperating revenue (expense)				
Interest income	16,396	9,410	1,906	27,712
Intergovernmental revenue	-	-	47,285	47,285
Other revenues	-	866,093	-	866,093
Total nonoperating revenue (expense)	<u>16,396</u>	<u>875,503</u>	<u>49,191</u>	<u>941,090</u>
Income (loss) before transfers and capital contributions	(494,617)	(3,063,242)	(57,969)	(3,615,828)
Transfers in	130,000	6,214,120	311,810	6,655,930
Capital contributions	308,987	92,251	-	401,238
Change in net position	(55,630)	3,243,129	253,841	3,441,340
Fund balances - beginning	<u>29,208,761</u>	<u>22,040,220</u>	<u>2,029,818</u>	<u>53,278,799</u>
Fund balances - ending	<u>\$ 29,153,131</u>	<u>\$ 25,283,349</u>	<u>\$ 2,283,659</u>	<u>\$ 56,720,139</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, 2022**

	<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	\$ 3,850,421	\$ 4,711,932	\$ 1,565,363	\$ 10,127,716
Cash paid to suppliers	(2,685,397)	(7,879,932)	(1,726,035)	(12,291,364)
Cash paid to employees	(196,643)	-	-	(196,643)
Net cash provided by (used in) operating activities	<u>968,381</u>	<u>(3,168,000)</u>	<u>(160,672)</u>	<u>(2,360,291)</u>
Noncapital financing activities				
Transfers from other funds	518,146	8,780,109	533,584	9,831,839
Transfers to other funds	-	-	-	-
Tax and intergovernmental revenues	-	958,344	-	958,344
Net cash provided by noncapital financing activities	<u>518,146</u>	<u>9,738,453</u>	<u>533,584</u>	<u>10,790,183</u>
Capital and related financing activities				
Acquisition and construction of capital assets	(308,987)	(92,251)	-	(401,238)
Capital contributions	308,987	-	-	308,987
Net cash used in capital and related financing activities	<u>-</u>	<u>(92,251)</u>	<u>-</u>	<u>(92,251)</u>
Investing activities				
Sales/(purchases) of investments, net	(1,110,802)	(1,176,341)	(201,219)	(2,488,362)
Investment earnings	16,396	9,410	1,905	27,711
Net cash used in investing activities	<u>(1,094,406)</u>	<u>(1,166,931)</u>	<u>(199,314)</u>	<u>(2,460,651)</u>
Net increase in cash and cash equivalents	<u>392,121</u>	<u>5,311,271</u>	<u>173,598</u>	<u>5,876,990</u>
Cash and cash equivalents				
Beginning of year	<u>7,979</u>	<u>2,321,372</u>	<u>691,214</u>	<u>3,020,565</u>
End of year	<u>\$ 400,100</u>	<u>\$ 7,632,643</u>	<u>\$ 864,812</u>	<u>\$ 8,897,555</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, 2022

	<u>Metro Parking</u>	<u>Public Assembly Facilities</u>	<u>Municipal Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating loss				
to net cash provided by				
(used in) operating activities				
Operating loss	\$ (511,013)	\$ (3,938,745)	\$ (107,160)	\$ (4,556,918)
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating				
activities:				
Depreciation	1,352,115	1,196,456	59,483	2,608,054
Pension expense (negative expense)	-	(264,382)	-	(264,382)
Change in assets and liabilities				
(Increase) decrease in receivables	141,412	(125,774)	(1,858)	13,780
(Increase) decrease in prepayments	-	(8,096)	(37,931)	(46,027)
(Increase) decrease in inventories	-	-	(4,944)	(4,944)
Increase (decrease) in accounts payable	(14,452)	416,130	(66,312)	335,366
Increase (decrease) in accrued expenses	319	(439,306)	-	(438,987)
Increase (decrease) in deferred revenue	-	(4,283)	(1,950)	(6,233)
Total adjustments	<u>1,479,394</u>	<u>770,745</u>	<u>(53,512)</u>	<u>2,196,627</u>
Net cash provided by (used in) operating activities	<u>\$ 968,381</u>	<u>\$ (3,168,000)</u>	<u>\$ (160,672)</u>	<u>\$ (2,360,291)</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, 2022

Assets	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Current assets						
Cash & temporary investments	\$ 2,759,075	\$ 200	\$ 7,440	\$ 495	\$ 2,088,739	\$ 4,855,949
Investments	56,594,590	37,937,494	26,390,110	24,294,427	78,722	145,295,343
Accounts receivable	12,812	9,566	292,937	-	-	315,315
Due from other funds	-	-	3,200	-	-	3,200
Inventories	1,685,605	-	-	-	-	1,685,605
Total current assets	<u>61,052,082</u>	<u>37,947,260</u>	<u>26,693,687</u>	<u>24,294,922</u>	<u>2,167,461</u>	<u>152,155,412</u>
Noncurrent assets						
Construction in process	3,086,209	-	-	10,867	-	3,097,076
Building & building improvements	257,391	-	-	-	-	257,391
Equipment	84,122,308	19,995	-	31,272,022	-	115,414,325
Less: accumulated depreciation	<u>(53,766,798)</u>	<u>(19,995)</u>	<u>-</u>	<u>(19,565,394)</u>	<u>-</u>	<u>(73,352,187)</u>
Total capital assets (net of accumulated depreciation)	33,699,110	-	-	11,717,495	-	45,416,605
Equity interest in joint venture	-	-	-	-	1,517,007	1,517,007
Total noncurrent assets	<u>33,699,110</u>	<u>-</u>	<u>-</u>	<u>11,717,495</u>	<u>1,517,007</u>	<u>46,933,612</u>
Total assets	<u>94,751,192</u>	<u>37,947,260</u>	<u>26,693,687</u>	<u>36,012,417</u>	<u>3,684,468</u>	<u>199,089,024</u>
Deferred outflows of resources						
Pensions	640,926	148,779	75,330	-	-	865,035
Total deferred outflows of resources	<u>640,926</u>	<u>148,779</u>	<u>75,330</u>	<u>-</u>	<u>-</u>	<u>865,035</u>
Liabilities						
Current liabilities						
Accounts payable	891,637	487,210	1,012,665	16,778	41,088	2,449,378
Accrued liabilities	283,112	45,414	44,407	-	-	372,933
Customer deposits	-	-	-	-	-	-
Due to other funds	-	2,426	-	-	-	2,426
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	<u>1,174,749</u>	<u>5,635,050</u>	<u>1,057,072</u>	<u>16,778</u>	<u>41,088</u>	<u>7,924,737</u>
Noncurrent liabilities						
Net pension liability	2,369,396	550,011	278,482	-	-	3,197,889
Estimated claims liability	-	12,600,000	2,750,000	-	-	15,350,000
Total noncurrent liabilities	<u>2,369,396</u>	<u>13,150,011</u>	<u>3,028,482</u>	<u>-</u>	<u>-</u>	<u>18,547,889</u>
Total liabilities	<u>3,544,145</u>	<u>18,785,061</u>	<u>4,085,554</u>	<u>16,778</u>	<u>41,088</u>	<u>26,472,626</u>
Deferred inflows of resources						
Pensions	815,333	189,264	95,828	-	-	1,100,425
Total deferred inflows of resources	<u>815,333</u>	<u>189,264</u>	<u>95,828</u>	<u>-</u>	<u>-</u>	<u>1,100,425</u>
Net position						
Net investment in capital assets	33,699,110	-	-	11,717,495	-	45,416,605
Unrestricted	<u>57,333,530</u>	<u>19,121,714</u>	<u>22,587,635</u>	<u>24,278,144</u>	<u>3,643,380</u>	<u>126,964,403</u>
Total net position	<u>\$ 91,032,640</u>	<u>\$ 19,121,714</u>	<u>\$ 22,587,635</u>	<u>\$ 35,995,639</u>	<u>\$ 3,643,380</u>	<u>\$ 172,381,008</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, 2022**

	<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	\$ 19,870,559	\$ 6,969,692	\$ 20,699,773	\$ 3,406,820	\$ 2,386,925	\$ 53,333,769
Total operating revenues	<u>19,870,559</u>	<u>6,969,692</u>	<u>20,699,773</u>	<u>3,406,820</u>	<u>2,386,925</u>	<u>53,333,769</u>
Operating expenses						
Personal services	2,897,158	681,199	1,168,672	-	-	4,747,029
Materials & supplies	4,942,530	158,306	25,241	23,364	-	5,149,441
Depreciation & amortization	6,425,253	-	-	3,444,387	-	9,869,640
Other operating expenses	1,933,658	7,604,751	19,589,980	-	2,129,841	31,258,230
Total operating expenses	<u>16,198,599</u>	<u>8,444,256</u>	<u>20,783,893</u>	<u>3,467,751</u>	<u>2,129,841</u>	<u>51,024,340</u>
Operating income (loss)	<u>3,671,960</u>	<u>(1,474,564)</u>	<u>(84,120)</u>	<u>(60,931)</u>	<u>257,084</u>	<u>2,309,429</u>
Nonoperating revenue (expense)						
Investment income (loss)	116,757	97,306	55,694	49,645	59	319,461
Other revenues (expenses)	(18,697)	631,090	273,806	5,420	-	891,619
Total nonoperating revenue (expense)	<u>98,060</u>	<u>728,396</u>	<u>329,500</u>	<u>55,065</u>	<u>59</u>	<u>1,211,080</u>
Income (loss) before transfers and capital contributions	3,770,020	(746,168)	245,380	(5,866)	257,143	3,520,509
Transfers in	152,642	6,676	365,570	856,378	287,300	1,668,566
Transfers out	(285,689)	(3,998)	(36)	-	-	(289,723)
Capital contributions	25,000	-	-	1,009,756	-	1,034,756
Change in net position	3,661,973	(743,490)	610,914	1,860,268	544,443	5,934,108
Total net position, beginning	<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>
Total net position, ending	<u>\$ 91,032,640</u>	<u>\$ 19,121,714</u>	<u>\$ 22,587,635</u>	<u>\$ 35,995,639</u>	<u>\$ 3,643,380</u>	<u>\$ 172,381,008</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, 2022

	<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	\$ 19,908,543	\$ 6,960,185	\$ 21,046,661	\$ 3,406,820	\$ 2,386,925	\$ 53,709,134
Cash paid to suppliers	(6,626,129)	(7,763,057)	(25,241)	(23,364)	-	(14,437,791)
Cash paid to employees	(3,090,071)	(681,112)	(1,194,717)	-	-	(4,965,900)
Cash paid for interfund services used	-	129,304	363,573	-	(2,133,483)	(1,640,606)
Payments of claims and insurance	-	-	(19,590,145)	-	-	(19,590,145)
Net cash provided by (used in) operating activities	<u>10,192,343</u>	<u>(1,354,680)</u>	<u>600,131</u>	<u>3,383,456</u>	<u>253,442</u>	<u>13,074,692</u>
Noncapital financing activities						
Transfers from other funds	2,566,953	2,378	1,270,242	856,378	287,300	4,983,251
Tax and intergovernmental revenues	-	631,090	273,806	5,420	-	910,316
Net cash provided by (used in) noncapital financing activities	<u>2,566,953</u>	<u>633,468</u>	<u>1,544,048</u>	<u>861,798</u>	<u>287,300</u>	<u>5,893,567</u>
Capital and related financing activities						
Acquisition and construction of capital assets	(9,012,392)	-	-	(3,397,673)	-	(12,410,065)
Capital contributions	25,000	-	-	1,009,756	-	1,034,756
Net cash provided by (used in) capital and related financing activities	<u>(8,987,392)</u>	<u>-</u>	<u>-</u>	<u>(2,387,917)</u>	<u>-</u>	<u>(11,375,309)</u>
Investing activities						
Sales of investments	-	109,064	-	-	-	109,064
Purchases of investments	(1,999,674)	-	(2,515,723)	(2,799,549)	(78,722)	(7,393,668)
Investment earnings	98,060	97,306	55,694	49,645	59	300,764
Net change in equity investment in joint venture	-	-	-	-	(93,263)	(93,263)
Net cash provided by (used in) investing activities	<u>(1,901,614)</u>	<u>206,370</u>	<u>(2,460,029)</u>	<u>(2,749,904)</u>	<u>(171,926)</u>	<u>(7,077,103)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,870,290</u>	<u>(514,842)</u>	<u>(315,850)</u>	<u>(892,567)</u>	<u>368,816</u>	<u>515,847</u>
Cash and cash equivalents						
Beginning 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>
End of year	<u>\$ 2,759,075</u>	<u>\$ 200</u>	<u>\$ 7,440</u>	<u>\$ 495</u>	<u>\$ 2,088,739</u>	<u>\$ 4,855,949</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, 2022

	<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)	\$ 3,671,960	\$ (1,474,564)	\$ (84,120)	\$ (60,931)	\$ 257,084	\$ 2,309,429
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	6,425,253	-	-	3,444,387	-	9,869,640
Pension expense (income)	(206,678)	16,998	(26,045)	-	-	(215,725)
Change in assets and liabilities						
(Increase) decrease in receivables	37,984	(9,507)	346,888	-	-	375,365
(Increase) decrease in inventories	(280,345)	-	-	-	-	(280,345)
Increase (decrease) in accounts payable	536,897	129,304	363,573	-	(3,642)	1,026,132
Increase (decrease) in accrued expenses	13,765	(16,911)	(165)	-	-	(3,311)
Increase (decrease) in customer deposits	(6,493)	-	-	-	-	(6,493)
Increase (decrease) in estimated liability for litigation and claims	-	-	-	-	-	-
Total adjustments	<u>6,520,383</u>	<u>119,884</u>	<u>684,251</u>	<u>3,444,387</u>	<u>(3,642)</u>	<u>10,765,263</u>
Net cash provided by (used in) operating activities	<u>\$ 10,192,343</u>	<u>\$ (1,354,680)</u>	<u>\$ 600,131</u>	<u>\$ 3,383,456</u>	<u>\$ 253,442</u>	<u>\$ 13,074,692</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, 2022

	<u>City Choice Plus</u>	<u>Employee Health Savings Fund</u>	<u>Total Custodial Funds</u>
Assets			
Cash	\$ 100	\$ 1,016,974	\$ 1,017,074
State & municipal government securities	122,697	-	122,697
Accounts receivable	305,693	-	305,693
Total current assets	<u>\$ 428,490</u>	<u>\$ 1,016,974</u>	<u>\$ 1,445,464</u>
Net Position			
Health care claims	<u>\$ 428,490</u>	<u>\$ 1,016,974</u>	<u>\$ 1,445,464</u>
Total net position	<u>\$ 428,490</u>	<u>\$ 1,016,974</u>	<u>\$ 1,445,464</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, 2022

	<u>City Choice Plus</u>	<u>Employee Health Savings Fund</u>	<u>Total Custodial Funds</u>
Additions			
Employer contributions	566,108	399,881	965,989
Total contributions	<u>566,108</u>	<u>399,881</u>	<u>965,989</u>
Total additions	<u>566,108</u>	<u>399,881</u>	<u>965,989</u>
Deductions			
Benefits paid	538,868	560,033	1,098,901
Total deductions	<u>538,868</u>	<u>560,033</u>	<u>1,098,901</u>
Change in net position	27,240	(160,152)	(132,912)
Total net position - beginning	<u>401,249</u>	<u>1,177,127</u>	<u>1,578,376</u>
Total net position - ending	<u>\$ 428,489</u>	<u>\$ 1,016,975</u>	<u>\$ 1,445,464</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, 2022

Assets

Current assets:

Cash & temporary investments	\$ 3,186,776
Accounts receivable	18,624,068
Inventories	1,616,100
Total current assets	23,426,944

Noncurrent assets:

Land and site improvements	2,199,236
Buildings and improvements	35,057,790
Equipment, furniture and fixtures	56,462,774
Infrastructure and site improvements	557,914
Construction in progress	2,165,590
Less: accumulated depreciation	(45,885,567)
Total capital assets (net of accumulated depreciation)	50,557,737
Total assets	73,984,681

Liabilities

Current liabilities:

Accounts payable	435,397
Accrued liabilities	503,168
Due to primary government	11,948,352
Total liabilities	12,886,917

Deferred inflows of resources

Deferred revenue	510,092
Total deferred inflows of resources	510,092

Net position

Net investment in capital assets	50,557,737
Unrestricted	10,029,935
Total net position	\$ 60,587,672

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, 2022**

Operating revenues	
Charges for services	\$ 6,022,409
Total operating revenues	<u>6,022,409</u>
Operating expenses	
Personal services	17,049,644
Materials & supplies	22,805,541
Depreciation & amortization	4,913,305
Other operating expenses	<u>7,846,693</u>
Total expenses	<u>52,615,183</u>
Operating income (loss)	<u>(46,592,774)</u>
Nonoperating revenue (expense)	
Intergovernmental revenue	67,362,700
Other expenses	<u>(1,040,581)</u>
Total nonoperating revenue (expense)	<u>66,322,119</u>
Change in net position	19,729,345
Total net position, beginning, as restated	<u>40,858,327</u>
Total net position, ending	<u>\$ 60,587,672</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, 2022

Operating activities	
Cash received from customers and users	\$ 6,022,409
Cash paid to suppliers	(31,762,297)
Cash paid to employees	<u>(17,023,214)</u>
Net cash provided by (used in) operating activities	<u>(42,763,102)</u>
Noncapital financing activities	
Transfers to primary government	(698,592)
Tax and intergovernmental revenues	<u>59,310,448</u>
Net cash provided by (used in) noncapital financing activities	<u>58,611,856</u>
Capital and related financing activities	
Acquisition of capital assets	<u>(17,761,194)</u>
Net cash provided by (used in) capital and related financing activities	<u>(17,761,194)</u>
Investing activities	
Sales/(purchases) of investments, net	<u>1,297,268</u>
Net cash provided by (used in) investing activities	<u>1,297,268</u>
Net increase (decrease) in cash and cash equivalents	<u>(615,172)</u>
Cash and cash equivalents	
Beginning of year	<u>3,801,948</u>
End of year	<u>\$ 3,186,776</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, 2022

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

Operating income (loss)	\$ (46,592,774)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,913,305
Change in assets and liabilities	
(Increase) decrease in inventories	(39,916)
(Decrease) increase in accounts payable	(1,070,147)
Increase (decrease) in accrued expenses	26,430
Total adjustments	<u>3,829,672</u>
Net cash provided by (used in) operating activities	<u>\$ (42,763,102)</u>

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

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2022

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Outstanding 7/1/2021:	Issued During Period:	Paid and/or Matured During Period:	Refunded During Period:	Outstanding 6/30/2022:
Governmental Activities									
Bonds Payable (Through Debt Service Fund)									
General Obligation - Series 2018	14,625,000	3.0 % - 5.0%	6/19/2018	5/1/2028	10,745,000	-	1,395,000	-	9,350,000
General Obligation - Refunding Series 2021	81,380,000	3.0 % - 5.0%	2/23/2021	2/1/2041	81,380,000	-	4,735,000	-	76,645,000
General Obligation - Series 2021B	16,700,000	3.0 % - 5.0%	3/30/2022	5/1/2042	-	16,700,000	-	-	16,700,000
Total Bonds Payable (Through Debt Service Fund)	<u>\$ 184,647,000</u>				<u>\$ 92,125,000</u>	<u>\$ 16,700,000</u>	<u>\$ 6,130,000</u>	<u>\$ -</u>	<u>\$ 102,695,000</u>
Note Payable (Through Miscellaneous Special Revenue Funds)	\$ 2,900,000	LIBOR plus 20 basis points	6/15/2016	7/15/2035	\$ 2,560,000	\$ -	\$ 170,000	\$ -	\$ 2,390,000
Total Governmental Activities	<u>\$ 187,547,000</u>				<u>\$ 94,685,000</u>	<u>\$ 16,700,000</u>	<u>\$ 6,300,000</u>	<u>\$ -</u>	<u>\$ 105,085,000</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 2021	21,005,000	3.0 % - 5.0%	2/23/2021	2/1/2041	21,005,000	-	5,375,000	-	15,630,000
Total Bonds Payable (Through Knoxville Convention Center Fund)	<u>\$ 135,003,000</u>				<u>\$ 80,975,000</u>	<u>\$ -</u>	<u>\$ 5,375,000</u>	<u>\$ -</u>	<u>\$ 75,600,000</u>
Total Business Type Activities	<u>\$ 156,008,000</u>				<u>\$ 80,975,000</u>	<u>\$ -</u>	<u>\$ 5,375,000</u>	<u>\$ -</u>	<u>\$ 75,600,000</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.

CITY OF KNOXVILLE, TENNESSEE
 SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
 JUNE 30, 2022

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Restated Outstanding 7/1/2021:	Issued During Period:	Paid and/or Matured During Period:	Outstanding 6/30/2022:
Governmental Activities								
LEASES PAYABLE								
Payable through General Fund								
Emporium Lease	3,020,698	2.50%	7/1/2021	6/30/2030	3,020,698	-	274,494	2,746,204
Total Lease Payable	<u>\$ 3,020,698</u>				<u>\$ 3,020,698</u>	<u>\$ -</u>	<u>\$ 274,494</u>	<u>\$ 2,746,204</u>

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

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF LEASE REQUIREMENTS BY YEAR
JUNE 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 288,912	\$ 65,360	\$ 354,272
2024	303,386	57,972	361,358
2025	318,368	50,216	368,584
2026	333,876	42,080	375,956
2027	349,925	33,550	383,475
2028-2030	1,151,737	45,323	1,197,060
Total	<u>\$ 2,746,204</u>	<u>\$ 294,501</u>	<u>\$ 3,040,705</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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<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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Operating Indicators by Function	152
Capital Asset Statistics by Function	153

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Invested in capital assets, net of related debt	\$ 223,777	\$ 231,666	\$ 225,581	\$ 261,956	\$ 298,791	\$ 305,396	\$ 342,292	\$ 369,211	\$ 326,384	\$ 371,712
Restricted	61,997	49,782	22,870	15,759	12,817	11,984	12,630	13,245	14,068	18,272
Unrestricted	243,367	260,379	162,267	186,985	203,126	209,403	199,406	183,950	250,947	274,736
Total Governmental Activities Net Position	\$ 529,141	\$ 541,827	\$ 410,718	\$ 464,700	\$ 514,734	\$ 526,783	\$ 554,328	\$ 566,406	\$ 591,399	\$ 664,720
Business-type Activities										
Invested in capital assets, net of related debt	\$ 28,494	\$ 29,159	\$ 30,011	\$ 31,484	\$ 35,332	\$ 37,202	\$ 54,237	\$ 61,932	\$ 62,967	\$ 61,691
Unrestricted	39,323	40,223	42,012	48,363	51,795	70,336	67,766	70,608	71,926	79,229
Total Business-type Activities Net Position	\$ 67,817	\$ 69,382	\$ 72,023	\$ 79,847	\$ 87,127	\$ 107,538	\$ 122,003	\$ 132,540	\$ 134,893	\$ 140,920
Primary Government										
Invested in capital assets, net of related debt	\$ 252,271	\$ 260,825	\$ 255,592	\$ 293,440	\$ 334,123	\$ 342,598	\$ 396,529	\$ 431,143	\$ 389,351	\$ 433,403
Restricted	61,997	49,782	22,870	15,759	12,817	11,984	12,630	13,245	14,068	18,272
Unrestricted	282,690	300,602	204,279	235,348	254,921	279,739	267,172	254,558	322,873	353,965
Total Primary Government Net Position	\$ 596,958	\$ 611,209	\$ 482,741	\$ 544,547	\$ 601,861	\$ 634,321	\$ 676,331	\$ 698,946	\$ 726,292	\$ 805,640

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities:										
General government	\$ 23,591	\$ 32,702	\$ 16,347	\$ 20,697	\$ 24,653	\$ 44,384	\$ 47,664	\$ 56,493	\$ 56,147	\$ 47,471
Public safety	88,381	89,816	91,659	95,864	100,752	95,748	98,472	109,806	112,691	99,880
Physical environment	49,230	51,368	49,559	51,100	54,041	53,452	53,906	55,246	56,076	56,689
Transportation	11,970	11,048	10,866	10,589	11,016	13,307	14,135	11,081	5,947	3,373
Economic Development	8,120	8,752	10,550	19,843	13,499	10,570	12,951	14,444	16,534	16,886
Parks & Recreation	10,195	10,345	10,723	9,586	9,936	11,474	11,799	12,979	12,490	13,285
Health & Sanitation	10,388	10,688	10,274	10,414	9,738	8,766	9,545	9,964	10,087	10,571
Interest on long-term debt	1,718	1,827	2,196	2,339	1,998	1,760	2,168	1,854	1,785	4,317
Total governmental activities expenses	203,593	216,546	202,174	220,432	225,633	239,461	250,640	271,867	271,757	252,472
Business-type Activities:										
Metro parking	1,184	5,689	2,721	2,372	3,475	5,364	4,087	5,231	4,788	4,220
Public assembly facilities	5,212	5,751	4,563	3,888	5,584	6,937	3,351	9,060	4,837	8,789
Knoxville Convention Center	17,081	16,716	17,530	16,909	17,735	19,549	18,482	19,402	14,968	17,013
Municipal Golf Courses	1,413	1,427	1,457	1,597	1,076	1,255	1,382	1,244	1,573	1,676
Total business-type activities	24,890	29,583	26,271	24,766	27,870	33,105	27,302	34,937	26,166	31,698
Total primary government	\$ 228,483	\$ 246,129	\$ 228,445	\$ 245,198	\$ 253,503	\$ 272,566	\$ 277,942	\$ 306,804	\$ 297,923	\$ 284,170
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	\$ 860	\$ 2,339	\$ 1,923	\$ 1,726	\$ 1,259	\$ 1,228	\$ 1,298	\$ 975	\$ 1,145	\$ 1,246
Public safety	7,185	6,114	6,263	6,259	7,224	6,900	7,214	6,197	6,300	6,235
Physical environment	1,561	1,583	761	1,261	1,523	1,674	2,132	2,304	2,426	2,748
Transportation	551	635	729	630	406	443	484	347	354	406
Economic Development	260	355	578	172	408	144	283	99	522	5
Parks & recreation	494	583	630	642	669	754	735	472	402	583
Health & sanitation	38	36	41	33	40	36	38	47	51	61
Operating grants and contributions	7,517	8,409	7,710	7,893	9,103	6,632	5,754	5,915	8,332	8,653
Capital grants and contributions	3,556	4,693	6,658	11,573	14,262	7,608	7,852	8,406	14,262	7,037
Total governmental activities program revenues	22,022	24,747	25,293	30,189	34,894	25,419	25,790	24,762	33,794	26,974
Business-type Activities:										
Charges for Services:										
Metro parking	1,685	1,546	1,539	1,796	2,182	4,014	4,295	3,945	3,339	3,709
Public assembly facilities	1,954	1,952	1,786	1,630	2,993	3,579	3,658	2,788	1,237	4,850
Knoxville Convention Center	5,386	4,755	4,438	4,651	5,420	5,436	5,722	4,645	1,405	4,704
Municipal Golf Courses	1,193	1,317	1,082	1,048	1,043	982	956	1,110	1,469	1,569
Operating grants and contributions	1,562	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total business-type activities program revenues	11,780	11,070	10,345	10,625	13,138	15,511	16,131	13,988	8,950	16,332
Total primary government program revenues	\$ 33,802	\$ 35,817	\$ 35,638	\$ 40,814	\$ 48,032	\$ 40,930	\$ 41,921	\$ 38,750	\$ 42,744	\$ 43,306
Net expense:										
Governmental Activities	\$ 181,571	\$ 191,799	\$ 176,881	\$ 190,243	\$ 190,739	\$ 214,042	\$ 224,850	\$ 247,105	\$ 237,963	\$ 225,498
Business-type Activities	13,110	18,513	15,926	14,141	14,732	17,594	11,171	20,949	17,216	15,366
Total primary government net expense	\$ 194,681	\$ 210,312	\$ 192,807	\$ 204,384	\$ 205,471	\$ 231,636	\$ 236,021	\$ 268,054	\$ 255,179	\$ 240,864
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	\$ 121,922	\$ 123,072	\$ 140,772	\$ 144,263	\$ 145,721	\$ 148,287	\$ 150,054	\$ 153,503	\$ 153,933	\$ 156,175
Intergovernmental revenues	68,337	65,910	67,588	76,727	74,157	77,633	72,959	73,257	85,534	114,046
Other taxes	20,763	20,053	20,844	21,986	22,159	23,153	23,752	25,425	26,442	29,341
Other revenue	4,465	4,062	3,941	8,440	4,866	7,470	13,913	13,383	3,908	4,598
Transfers	(9,123)	(8,612)	(9,653)	(7,191)	(6,129)	(19,855)	(8,284)	(6,386)	(6,861)	(10,854)
Total governmental activities	206,364	204,485	223,492	244,225	240,774	236,688	252,394	259,182	262,956	293,306
Business-type Activities:										
Intergovernmental revenues	3,198	4,888	3,451	7,042	6,983	9,779	8,087	17,685	7,879	1,107
Other taxes	5,211	5,395	5,921	6,903	6,756	7,009	7,195	6,101	4,315	8,408
Other revenue	570	1,182	1,352	829	2,143	1,363	2,070	1,314	512	1,023
Transfers	9,123	8,612	9,653	7,191	6,129	19,855	8,284	6,386	6,861	10,854
Total business-type activities	18,102	20,077	20,377	21,965	22,011	38,006	25,636	31,486	19,567	21,392
Total primary government	224,466	224,562	243,869	266,190	262,785	274,694	278,030	290,668	282,523	314,698
Changes in Net Position										
Governmental activities	\$ 24,793	\$ 12,686	\$ 46,611	\$ 53,982	\$ 50,035	\$ 22,646	\$ 27,544	\$ 12,077	\$ 24,993	\$ 67,808
Business-type activities	4,992	1,564	4,451	7,824	7,279	20,412	14,465	10,537	2,351	6,026
Total primary government	\$ 29,785	\$ 14,250	\$ 51,062	\$ 61,806	\$ 57,314	\$ 43,058	\$ 42,009	\$ 22,614	\$ 27,344	\$ 73,834

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Reserved										
Unreserved										
Nonspendable	\$ 300	\$ 324	\$ 443	\$ 364	\$ 353	\$ 305	\$ 301	\$ 366	\$ 418	\$ 536
Restricted	-	-	-	-	-	-	-	-	-	1,546
Committed	36,771	40,232	41,469	42,650	48,086	45,875	46,396	47,191	51,468	63,294
Assigned	2,648	2,482	3,353	4,038	20,143	11,778	12,699	21,016	35,875	22,502
Unassigned	30,436	27,958	30,508	38,458	27,757	30,557	27,489	20,052	21,141	26,740
Total general fund	<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>	<u>\$ 114,618</u>
All other governmental funds										
Nonspendable/Restricted (Reserved/Designated)										
Unreserved, reported in:										
Special Revenue funds										
Debt Service funds										
Capital Projects funds										
Nonspendable	\$ 737	\$ 673	\$ 1,076	\$ 1,122	\$ 856	\$ 1,185	\$ 1,294	\$ 1,131	\$ 1,158	\$ 1,223
Restricted	61,133	63,370	36,908	24,592	12,193	11,361	12,006	12,622	13,841	16,102
Committed	89,885	93,181	150,904	150,342	133,869	172,508	157,838	146,152	202,795	205,155
Assigned	-	-	-	-	16,883	579	651	737	653	653
Unassigned	-	-	-	-	-	-	-	-	(433)	-
Total all other governmental funds	<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>	<u>\$ 223,133</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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes, assessments, interest & penalties	\$ 183,445	\$ 184,128	\$ 204,089	\$ 212,108	\$ 212,992	\$ 217,761	\$ 223,517	\$ 225,188	\$ 234,359	\$ 247,503
Licenses, permits & inspection charges	1,994	2,027	2,266	2,656	3,005	3,052	3,331	3,297	3,300	3,642
Intergovernmental revenue	37,359	34,586	36,125	48,074	45,811	43,520	34,889	35,970	49,044	64,455
Charges for services	6,528	6,263	7,089	6,118	6,728	5,013	5,548	6,305	5,919	5,191
Fines & forfeitures	4,010	3,256	3,247	3,147	3,010	4,190	4,156	3,056	2,738	2,794
Other	5,170	5,524	5,073	8,354	8,350	6,665	12,875	12,565	8,090	6,144
Total revenues	238,506	235,784	257,889	280,457	279,896	280,201	284,316	286,381	303,450	329,729
Expenditures										
Current:										
General government	15,701	16,242	17,000	17,308	17,189	35,610	37,487	55,933	63,232	70,150
Public safety	86,986	89,224	99,871	102,155	103,510	95,559	100,214	109,806	104,511	110,304
Physical environment	58,565	61,475	61,478	63,178	63,287	63,059	64,104	37,098	36,694	39,514
Parks & recreation	7,621	7,976	8,422	8,652	8,721	9,001	9,327	12,979	9,189	9,914
Economic development	12,961	11,896	11,994	22,549	16,902	13,052	15,535	14,444	15,018	17,875
Other	91	68	248	-	-	-	-	-	-	-
Capital Outlay	19,253	25,892	36,163	51,710	53,188	36,657	54,810	48,307	44,296	69,377
Debt Service:										
Principal	5,413	5,291	5,384	6,141	4,998	4,742	6,237	6,506	40,811	6,405
Interest	1,730	1,745	2,136	2,328	2,039	1,789	2,092	1,882	1,709	4,445
Total expenditures	208,321	219,809	242,896	274,021	269,834	259,469	289,806	286,955	315,460	327,984
Excess of revenues over expenditures	30,185	15,975	15,193	6,436	10,062	20,732	(5,490)	(574)	(12,010)	1,745
Other Financing Sources (Uses)										
Lease proceeds	-	-	-	-	-	-	-	-	-	3,021
Net proceeds from issuance of debt	-	-	31,607	-	-	15,666	-	-	98,363	18,302
Transfers in	36,787	41,982	45,703	39,296	44,200	51,374	40,903	36,922	98,456	69,171
Transfers out	(49,667)	(51,648)	(56,061)	(48,827)	(55,688)	(73,764)	(50,887)	(45,755)	(107,159)	(81,403)
Total other financing sources (uses)	(12,880)	(9,666)	21,249	(9,531)	(11,488)	(6,724)	(9,984)	(8,833)	89,660	9,091
Net changes in fund balances	\$ 17,305	\$ 6,309	\$ 36,442	\$ (3,095)	\$ (1,426)	\$ 14,008	\$ (15,474)	\$ (9,407)	\$ 77,650	\$ 10,836
Debt service as a percentage of noncapital	3.8%	3.6%	3.6%	3.8%	3.2%	2.9%	3.5%	3.5%	15.7%	4.2%

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)					Personal Property (1)		Public Utilities (2)		Total's		Direct Tax Rate	Assessed Value as a Percentage of Actual Value	
	Estimated Actual Value:					Assessed Taxable Value	Assessed		Assessed					
	Commercial	Industrial	Residential & Farm Properties	Exempt Properties	Total's		Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value				
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	4,112,628	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	1,368,707	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%
2022	6,786,162	378,313	7,967,126	1,388,522	16,520,123	4,854,051	1,235,672	370,712	244,409	134,425	18,000,204	5,359,188	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	
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
2022	2.2684	0.1954	2.4638	0.8900	0.4300	0.8000	2.1200	4.5838

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

Taxpayer	Type of Business	2022			2013		
		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	\$ 42,314	1	0.79%	\$ 74,588	4	1.76%
Fort Sanders Regional Medical Center	Medical Services	38,640	2	0.72%	81,814	3	1.93%
West Town Mall	Retail	35,247	3	0.66%	93,953	1	2.21%
Hart TC I-II LLC	Property Management	29,894	4	0.56%			
Scripps	Media	28,999	5	0.54%	69,336	5	1.63%
Kroger	Retail / Grocery	28,795	6	0.54%			
First American National Bank	Financial Services	27,609	7	0.52%	55,397	7	1.30%
AT&T Telecommunications	Telecommunications	27,013	8	0.50%	46,350	9	1.09%
Pilot Corp.	Oil	24,240	9	0.45%			
Comcast Cablevision	Media	20,984	10	0.39%			
Bellsouth Telecommunications	Telecommunications	12,808		0.24%	82,189	2	1.93%
		<u>\$ 316,543</u>		<u>5.91%</u>	<u>\$ 503,627</u>		<u>11.85%</u>

⁽¹⁾Data Source: City property tax office

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

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
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%	3,147	130,352	98.17%
2022	132,040	127,436	96.51%	4,168	131,604	99.67%

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
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	-	-
2022	102,695	17,931	120,626	2,390	-	-

Business Type Activities

Fiscal Year	General Obligation Bonds			Other Business Type Activities Debt			% of	
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	Golf Course Equipment Note	Capital Lease	Total Primary Government ⁽¹⁾	Personal Income ⁽²⁾	Per Capita ⁽²⁾
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
2022	75,600	2,235	77,835	-	-	200,851	3.60%	1,038.16

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:	Total	Percentage of Estimated Taxable Value of Property	Per Capita
		Amounts Available in Debt Service Fund			
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
2022	178,295	63,970	114,325	2.13%	590.92

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

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

**PLEDGED-REVENUE COVERAGE
PRIMARY GOVERNMENT**

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

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

<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>
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
2022	906,877	699,209	207,668	82,003	2.53

**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>
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	33,239	21,329	11,910	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	41,269	22,262	19,007	7,368	2.58
2021	40,128	20,772	19,356	2,342	8.26
2022	44,890	24,273	20,617	6,147	3.35

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2022
(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	\$ 123,016	100.00%	\$ 123,016
Overlapping Debt:			
Knox County	423,952	39.38%	166,952
Knox County Schools	330,283	39.38%	130,065
Total Overlapping Debt	754,235		297,017
Total Direct and Overlapping Debt	\$ 877,251		\$ 420,033

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

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

Fiscal Year	Population ⁽¹⁾	Per Capita Personal 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		
2013	183,261	38,416	32.9	89.3%	60.9%	30.6%	11.7%	58,940	7.2%
2014	184,292	39,911	32.3	84.6%	54.4%	28.9%	10.4%	59,232	6.1%
2015	185,291	41,759	33.8	87.0%	55.5%	29.9%	11.4%	59,516	5.2%
2016	186,239	42,635	32.8	87.8%	57.6%	29.3%	11.4%	60,313	4.4%
2017	187,347	44,212	33.0	88.2%	55.6%	30.5%	11.6%	58,901	3.6%
2018	187,514	46,360	32.6	89.8%	57.9%	30.3%	12.3%	59,353	3.3%
2019	187,603	48,813	33.1	88.1%	59.7%	31.0%	12.2%	59,357	4.9%
2020	190,223	52,083	32.7	89.4%	58.8%	32.4%	12.5%	59,904	6.2%
2021	192,648	55,752	33.6	89.9%	62.3%	33.4%	13.3%	57,991	2.7%
2022 ⁽⁵⁾	NA	NA	NA	NA	NA	NA	NA	58,873	3.1%

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) Some data not yet available at this time

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

Employer's Name	2022			2013		
	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)	13,013	1	2.92%			0.00%
Covenant Health	11,357	2	2.55%	9,494	1	11.26%
Knox County Schools	9,558	3	2.14%	6,891	2	8.18%
The University of Tennessee, Knoxville	8,959	4	2.01%	6,400	3	7.59%
Wal-Mart Stores, Inc.	6,863	5	1.54%	4,007	4	4.75%
Clayton Homes, Inc	5,436	6	1.22%			0.00%
University of Tennessee Medical Center	5,290	7	1.19%	3,942	5	4.68%
DENSO Manufacturing Tennessee, Inc.	4,500	8	1.01%			0.00%
Dollywood Co.	4,000	9	0.90%			0.00%
K-VA-T Food Stores	3,398	10	0.76%	3,924	6	4.66%
Tennova Healthcare	2,900		0.65%	3,857	7	4.58%
State of Tennessee - Regional Offices	3,176		0.71%	3,528	8	4.19%
County of Knox	2,600		0.58%	2,998	9	3.56%
City of Knoxville	2,136		0.48%	2,811	10	3.33%
Total Knoxville MSA Laborforce (2)	446,245			84,290		

(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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration	30.5	30.5	30.5	31.5	33.5	35.5	35.5	39.5	42.5	42.5
Finance	51.5	48.5	49.0	49.0	49.0	50.0	50.0	45.0	41.0	41.0
Employee Benefits & Risk Management	-	-	-	-	-	-	13.0	13.0	13.0	13.0
Information Systems	30.0	30.0	30.0	30.0	30.0	30.0	30.0	29.0	29.0	29.0
Public Works	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0
Engineering	88.5	89.0	91.5	92.5	92.5	92.0	92.0	93.0	94.0	95.0
Fleet Services	54.0	54.0	54.0	54.0	54.0	54.0	54.0	55.0	54.0	54.0
Inspections	29.0	29.0	29.0	29.0	40.0	40.0	40.0	39.0	40.0	41.0
Emergency Management	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0
Public Services	305.0	305.0	305.0	305.0	292.0	292.0	292.0	292.0	291.0	291.0
Community Development	23.5	23.5	21.5	21.5	21.5	20.0	20.0	20.0	20.0	21.0
Recreation	53.0	52.5	51.5	52.0	51.0	51.0	51.0	50.0	50.0	50.0
Law	12.5	19.0	21.0	21.0	21.0	21.0	13.0	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	105.0	105.0	107.0	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>521.0</u>	<u>521.0</u>	<u>523.0</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	14.5	14.5	14.5	14.5	14.5	14.0	14.0	14.5	14.5	14.5
Civil Service	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	6.0	6.0
Human Resources	-	-	-	-	-	-	-	-	6.0	6.0
Public Assembly Facilities	36.0	36.0	34.5	34.5	-	-	-	-	-	0.0
GRAND TOTAL	<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>1,587.5</u></u>	<u><u>1,589.5</u></u>

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

Department	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Public Safety										
Police										
Arrests	14,376	11,484	11,900	12,453	10,604	10,691	10,425	8,558	8,230	9,951
Citations	105,635	96,147	88,731	68,374	49,585	45,462	54,577	38,217	22,916	17,824
Fire										
Fire Inspections	4,547	4,144	3,968	3,162	3,366	3,438	2,707	2,264	1,526	2,039
Alarms Attended	21,227	21,644	20,788	22,346	21,647	14,107	25,166	24,110	21,184	28,083
First Responder Calls	10,816	10,546	9,214	10,307	9,573	10,623	10,613	7,242	7,997	14,572
Engineering										
Miles of Streets Resurfaced	55	46	43	40	59	50	58	38	24	26
Parks & Recreation										
Recreation Center Participants	527,224	495,231	472,613	480,993	496,683	440,977	417,903	290,231	166,953	169,476
Service										
Pothole Repairs (by tons of asphalt)	430	357	204	197	480	945	1,102	621	797	3,087

Sources: Various city departments

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

Department	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Public Safety										
Safety Building - Police	1	1	1	1	1	1	1	1	1	1
Fire Halls	19	19	19	19	19	19	19	19	19	19
Operations & Engineering										
Street Lights	30,145	30,211	30,232	30,250	30,299	30,314	30,159	29,757	28,574	28,607
Miles of Streets Maintained	1,278	1,178	1,179	1,179	1,175	1,175	1,174	1,174	1,174	1,174
Parks & Recreation										
Recreation Centers	12	12	12	14	16	16	18	18	18	18
Parks	82	82	81	81	93	94	94	94	95	93
Park Acreage	2,000	2,000	2,828	2,828	3,102	3,102	3,102	3,102	3,138	2,266
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	67	67	47	47	45	45	45	45	45	45
Miles of Greenway	85	86	86	86	113	113	113	113	113	119
Golf Courses	3	3	3	3	3	3	3	3	3	3
Pickleball Courts	-	-	-	10	10	10	10	10	10	10
Metro Parking										
Parking Garages	5	5	5	5	5	6	6	6	6	5
Parking Lots	8	8	8	9	9	10	10	11	11	11
Total Spaces	4,289	4,529	4,529	4,688	4,673	5,515	6,151	6,066	5,804	5,822
Fleet										
Garages	2	2	2	2	2	2	2	2	2	2
Vehicles Maintained	1,532	1,538	1,552	1,562	1,510	1,524	1,532	1,561	1,509	1,570

Sources: Various City Departments

COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2022

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	\$ 4,565	\$ 2,047
	Community Development Block Grant 2017	14.218	B-17-MC-47-0005	7,068	-
	Community Development Block Grant 2019	14.218	B-19-MC-47-0005	169,610	168,251
	Community Development Block Grant 2020	14.218	B-20-MC-47-0005	59,539	40,000
	Community Development Block Grant 2021	14.218	B-21-MC-47-0005	1,451,305	924,387
	Community Development Block Grant 2021 Program Income	14.218	B-21-MC-47-0005	116,091	116,091
	Community Development Block Grant Coronavirus Funding	14.218	B-20-MW-47-0005	764,708	689,778
	Community Development Block Grant/Section 108	14.218	B-15-MC-47-0005	245,006	-
	14.218			2,817,892	1,940,554
	Emergency Solutions Grant 2020	14.231	E-20-MC-47-0005	150	150
	Emergency Solutions Grant 2021	14.231	E-21-MC-47-0005	136,905	125,637
	Emergency Solutions Grant Coronavirus Funding	14.231	E-20-MW-47-0005	1,163,949	1,058,972
Passed through from Tennessee Housing Development Agency	Emergency Solutions Grant (THDA)	14.231	ESG-19-03	621,962	608,660
	14.231			1,922,966	1,793,419
	Home Investment Partnerships Program 2018	14.239	M-18-MC-47-0201	30,000	-
	Home Investment Partnerships Program 2019	14.239	M-19-MC-47-0201	201,680	-
	Home Investment Partnerships Program 2019 Program Income	14.239	M-19-MC-47-0201	533,408	-
	Home Investment Partnerships Program 2020	14.239	M-20-MC-47-0201	333,858	-
	Home Investment Partnerships Program 2020 Program Income	14.239	M-20-MC-47-0201	21,577	-
	Home Investment Partnerships Program 2021	14.239	M-21-MC-47-0201	111,528	-
	Home Investment Partnerships Program 2021 Program Income	14.239	M-21-MC-47-0201	72,208	-
	14.239			1,304,259	-
	Empowerment Zone Grant Program Income	14.244	EZ-99-TN-0012	242,400	-
	14.244			242,400	-
	Lead Hazard Control Grant	14.900	TNLHB0705-18	621,889	516,835
	14.900			621,889	516,835
Total U.S. Department of Housing and Urban Development				6,909,406	4,250,808
U.S. Department of Justice					
<u>Direct assistance</u>	2021 Kevin and Avonte Program	16.015	15PBJA-21-GG-02970-MAPX	8,312	-
	16.015			8,312	-
	2020 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0506	114,876	-
	2020 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0393	48,223	-
<u>Passed through from</u> State of Tennessee Department of Finance and Administration: Office of Criminal Justice Programs	CESF ICAC COVID Response	16.034	2020-VD-VX-0393	77,328	-
	16.034			240,427	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2022

Grantor Agency	Program Title	CFDA #	Grant #	Expenditures	Amount Passed Through to Subrecipients
	2020 Project Safe Neighborhood Eastern District	16.609	2018-GP-BX-0074	21,739	-
	2019 Project Safe Neighborhood Eastern District	16.609	2019-GP-BX-0012	795	-
		16.609		22,534	-
	2017 JAG/Byrne Grant	16.738	2017-DJ-BX-00420	90	-
	2018 JAG/Byrne Grant	16.738	2018-DJ-BX-0710	36,322	-
	2019 JAG/Byrne Grant	16.738	2019-DJ-BX-0764	4,700	-
		16.738		41,112	-
	Equitable Sharing Program/MLARS	16.922		157,991	-
		16.922		157,991	-
Passed through from					
State of Tennessee Department of Finance and Administration:					
Office of Juvenile Justice & Delinquency Prevention					
	2017 ICAC - Forensic Capacity Hiring Program for Wounded Veterans	16.543	2017-MC-FX-K005	51,931	-
	Tennessee 2019-2020 ICAC Federal Grant	16.543	2019-MC-FX-K013	490,961	-
		16.543		542,892	-
Office of Criminal Justice Programs	2020-22 VOCA - Law Enforcement Victim Coordinator	16.575	Contract 41637-VOCA LE-VC	154,765	-
		16.575		154,765	-
Office of Community Oriented Policing Service	2021 Law Enforcement Mental Health and Wellness Act	16.710	15JCOPS-21-GG-02170-SLEM	81,323	-
	COPS- Knoxville Peer Support Project/Law Enforcement Mental Health & Wellness	16.710	2020-MH-WX-K034	225	-
	2020 COPS Stop School Violence Program	16.710	2020-SV-WX-0036	83,626	-
		16.710		165,174	-
Total U.S. Department of Justice				1,333,207	-
U.S. Department of Transportation					
Direct assistance					
Federal Transit Cluster					
	2018 STP Flexfunds for KAT Implementation of ITS Technologies	20.507	TN-2018-034-00	595,084	-
	FY17/18 STP FlexFunds for Transit Buses	20.507	TN-2018-037-00	360,039	-
	FY18 STP FlexFunds for KAT Passenger Amenities	20.507	TN-2018-051-00	105,294	-
	5307 CMAQ FLEX funds for Electric Bus Purchase	20.507	TN-2020-007-00	5,955,530	-
	FY19 Local Surface Transportation Block Grant Program	20.507	TN-2020-004-00	1,321,442	-
	FY2020 LSTBG Flex Funds	20.507	TN-2020-034-00	1,456,918	-
	FY2021 LSTBG Flexfunds for KAT	20.507	TN-2021-049-00	698,264	-
	FY2020 Formula Grant (5307)	20.507	TN-2020-036-00	3,413	-
	FY2021 Formula Grant (5307)	20.507	TN-2021-048-00	513,389	-
	FY2022 Formula Grant (5307)	20.507	Grant number pending	4,609,977	-
	American Rescue Plan Act (ARPA) Formula Grant (5307)	20.507	TN-2022-003-00	10,724,670	-
		20.507		26,344,021	-
	FY 2016 5339 Program for Capital Projects	20.526	TN-2017-057-00	535,722	-
	FY 2017 5339 Program for Capital Projects	20.526	TN-2018-003-00	601,666	-
	FFY 2017 5339(b) Bus & Bus Facilities Grant	20.526	TN-2019-007-00	3,591,672	-
	FY19 5339 Grant for Capital Projects	20.526	TN-2019-033-00	32,066	-
	FY20 5339 Grant for Capital Projects	20.526	TN-2020-035-01	167,633	-
	FY 2021 5339 Capital Projects	20.526	TN-2021-039-00	10,545	-
		20.526		4,939,304	-
Total Federal Transit Cluster				31,283,325	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2022

Grantor Agency	Program Title	CFDA #	Grant #	Expenditures	Amount Passed Through to Subrecipients
<u>Passed through from</u>					
Tennessee Department of Transportation	Middlebrook Pike ATMS	20.205	CM-169(17) State 190013	66,838	-
Tennessee Department of Transportation	CMAQ funding for ther Chapman Highway Portion of the ATMS	20.205	CM-9109(172); State 140161	18,450	-
Tennessee Department of Transportation	Broadway Transit Signal Priority (Broadway Bus Corridor/ATMS)	20.205	CM-9109(177); State 170023	7,843	-
Tennessee Department of Transportation	Tennessee Department of Transportation	20.205	CM-9109(186) State 200095	96,792	-
Tennessee Department of Transportation	Jackson Avenue Ramps	20.205	Contract 050113; BRZE-9109(103); PIN 106077.00	102,097	-
Tennessee Department of Transportation	Access Improvements to I-275 Business Park	20.205	Contract 090268; PIN 110262.00	1,250,151	-
Tennessee Department of Transportation	Blount-Sevier Corridor Improvements/South Waterfront	20.205	STP-EN-9109(173); State 130166; PIN109677.00	427,369	-
Tennessee Department of Transportation	Widening of Pleasant Ridge Road, from City Limits to	20.205	STP-EN-9109(53)	282,538	-
Tennessee Department of Transportation	Magnolia Phase 3 - North Bertrand to North Kyle Street	20.205	STP-M-1(421); State 200316; PIN129559.01	42,842	-
Tennessee Department of Transportation	Atlantic Avenue Sidewalk	20.205	STP-M-3789(10); State 180006; PIN 126946.00	2,381	-
Tennessee Department of Transportation	Safer and Complete Streets Study	20.205	STP-M-4700(65)	160,910	-
Tennessee Department of Transportation	Papermill Drive Corridor Study	20.205	STP-M-4829(10); State 200106; PIN 130107.00	12,882	-
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205	STP-M-9109(165); State 140161; PIN 120004.00	93,039	-
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	42,756	-
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205	STP-M-9109(64); State 070099	299,470	-
Tennessee Department of Transportation	Urban Wilderness Corridr Study	20.205	STP-NH-71(43); State 190349	25,344	-
Tennessee Department of Transportation	First Creek Greenway-Broadway Streetscapes	20.205	TAP/STP-M-9109(179); State 170054; PIN 125623.00	68,069	-
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	27,824	-
Tennessee Department of Transportation	Liberty Street Multimodal Improvements	20.205	TAP-STP-M-9115(171); State 150169; PIN 122977.00	53,614	-
Total Highway Planning and Construction Cluster		<u>20.205</u>		<u>3,081,211</u>	<u>-</u>
Highway Safety Cluster	FY22 Safe Communities Grant	20.600	Z22-THS154; Edison ID 22-71189	47,220	-
	FY22 THSO DUI Enforcement, High Visibility and Traffic Services Grant	20.600	Z22-THS155; Edison ID 22-71189	111,034	-
	Community-Based Traffic Safety Enforcement & Education	20.600	Z21-THS153; Edison ID 66297(PT)	6,838	-
Total Highway Safety Cluster		<u>20.600</u>		<u>165,092</u>	<u>-</u>
Total U.S. Department of Transportation				<u>34,529,628</u>	<u>-</u>
U.S. Department of Treasury					
<u>Direct assistance</u>	Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act	21.027		5,912,019	1,420,000
		<u>21.027</u>		<u>5,912,019</u>	<u>1,420,000</u>
Total U.S. Department of Treasury				<u>5,912,019</u>	<u>1,420,000</u>
U.S. Department of Health & Human Services					
<u>Direct assistance</u>	Knoxville Mental Health Awareness Training/Mental Health First Aid	93.243	1H79SM081081-01	67,729	67,729
		<u>93.243</u>		<u>67,729</u>	<u>67,729</u>
Total U.S. Department of Health & Human Services				<u>67,729</u>	<u>67,729</u>
U.S. Office of National Drug Control Policy					
<u>Passed through from</u>	Financial Commission for Appalachia HIDTA	95.001	G21AP0001A	38,461	-
Financial Commission for Appalachia HIDTA	2022 High Intensity Drug Trafficking Areas Program	95.001	G22AP0001A	42,634	-
		<u>95.001</u>		<u>81,095</u>	<u>-</u>
Total U.S. Office of National Drug Control Policy				<u>81,095</u>	<u>-</u>
U.S. Department of Homeland Security					
<u>Passed through from</u>	Tennessee Emergency Management Agency	97.042	72823-41187	150,936	-
		<u>97.042</u>		<u>150,936</u>	<u>-</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2022

Grantor Agency	Program Title	CFDA #	Grant #	Expenditures	Amount Passed Through to Subrecipients
<u>Passed through from</u>					
Passed through Knox County	2019 Homeland Security Grant	97.067	34101-15220/EMW-2019-SS-00029	10,519	-
Passed through Knox County	2020 Homeland Security Grant	97.067	34101-25521/EMW-2020-SS-00007	1,679	-
		97.067		12,198	-
Total U.S. Department of Homeland Security				163,134	-
Total Federal Assistance				\$ 48,996,218	\$ 5,738,537
STATE ASSISTANCE					
Criminal Justice Program	FY17 State ICAC Appropriation		31701-06233: Edison 49531	\$ 17,447	\$ -
Criminal Justice Program	FY22 State ICAC Appropriation		31701-64013: Edison 69812	201,513	-
Tennessee Department of Agriculture	TAEP Community Tree Grant		Edison 72710	13,773	-
Tennessee Department of Transportation	State Portion for FY 2020 LSTBG Flex Funds		GG-21-69084	182,115	-
Tennessee Department of Transportation	State Portion for FY 2021 LSTBG Flex Funds		GG-22-73828	87,283	-
Tennessee Department of Transportation	State Portion of FFY 2017 5339(b) Grant		GG-20-63954	448,959	-
Tennessee Department of Transportation	State Portion of FY 2016 5339 Program for KAT Capital Projects		TN-2017-057S	66,966	-
Tennessee Department of Transportation	State Portion of FY 2017 5339 Program for KAT Capital Projects		TN-2018-003S	75,208	-
Tennessee Department of Transportation	State Portion of the FY19 5339 Grant		GG-20-65175	4,008	-
Tennessee Department of Transportation	FY 2021 5339 Capital Projects		Z-22-BP00-004	1,318	-
Tennessee Department of Transportation	FY18 STP FlexFunds for KAT Passenger Amenities		TN-2018-051S	13,162	-
Tennessee Department of Transportation	State Portion for the 2017/2018 STP FlexFunds for Transit Buses		TN-2018-039S	45,005	-
Tennessee Department of Transportation	State portion of 2018 STP Flex funds for KAT Implementation of ITS Technologies		Z-21-5307-04	74,386	-
Tennessee Department of Transportation	State Portion of the FY2020 Formula Grant		Z-21-5307-03	427	-
Tennessee Department of Transportation	State Portion of the FY2021 Formula Grant		GG-22-74051	64,174	-
Tennessee Department of Transportation	State Portion of the FY2022 Formula Grant		Grant number pending	576,271	-
Tennessee Department of Transportation	State Portion of the 5307 CMAQ FLEX funds for Electric Buses		GG-20-67415	744,441	-
Tennessee Department of Transportation	FY22 State Operating Grant (UROP)		47-UROP-S3-019	3,511,400	-
Tennessee Department of Transportation	Chapman Highway Multimodal Grant		47LPLM-S3-166; State 190020; PIN 128590.00	438	-
Tennessee Department of Transportation	State Portion of the FY20 5339 Grant		GG-21-69085	20,954	-
Tennessee Department of Transportation	State Portion FY19 Local Surface Transportation Block Grant Program		GG-21-68531	165,180	-
Tennessee Department of Transportation	Local Government Recovery and Rebuilding Grant		Edison 63235; 32701-03857	465,090	-
Total State Assistance				\$ 6,779,516	\$ -
Total Federal and State Assistance				\$ 55,775,734	\$ 5,738,537

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, 2022**

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, 2022. 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, 2022.

These 2022 loan funding balances are also included in the federal expenditures presented in the schedule.

<u>Cluster / Program Title</u>	<u>Assistance Listing Number</u>	<u>FY 22 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grants	14.218	\$ -	\$ 3,535,211
Empowerment Zone	14.244	-	95,060
HOME Investment Partnerships Program	14.239	<u>1,797,968</u>	<u>9,545,899</u>
Total Loans		<u>\$ 1,797,968</u>	<u>\$13,176,170</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, 2022, 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 13, 2023. 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*.

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
January 13, 2023



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

Opinion on Each Major Federal Program

We have audited City of Knoxville, Tennessee's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Knoxville's major federal programs for the year ended June 30, 2022. 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 \$10,664,120 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2022. Our audit, described below, did not include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority because these component units engage other auditors to perform an audit in accordance with the Uniform Guidance.

In our opinion, Knoxville, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 13, 2023

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

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, 2022 are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507 and 20.526	Federal Transit Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$1,469,887

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

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2022**

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

None reported

CITY OF KNOXVILLE, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

2021-001 – Schedule of Federal Expenditures - Resolved

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 2021-002 through 2021-005. These matters did not repeat and were noted as resolved.