



CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR



SERVICES



INFRASTRUCTURE



PARTNERSHIPS

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2023

KNOXVILLE, TENNESSEE • WWW.KNOXVILLETN.GOV

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

PREPARED BY:
CITY OF KNOXVILLE FINANCE DEPARTMENT

CITY OF KNOXVILLE, TENNESSEE

ANNUAL COMPREHENSIVE FINANCIAL REPORT For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
GFOA Certificate of Achievement	xi
Organizational Structure by Function	xii
Officials of the City of Knoxville, Tennessee	xiii
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	23
Statement of Activities	25
Fund Financial Statements	
Balance Sheet - Governmental Funds	27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	28
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Miscellaneous Community Development Funds	32
Statement of Net Position - Proprietary Funds	33
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds.....	35
Statement of Fiduciary Net Position - Fiduciary Funds	37
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	38
Combining Statement of Net Position - Discretely Presented Component Units	39
Combining Statement of Activities - Discretely Presented Component Units	41
Notes to Financial Statements	
Note 1 - Summary of Significant Accounting Policies	42
Note 2 - Reconciliation of Government-wide and Fund Financial Statements.....	51
Note 3 - Stewardship, Compliance and Accountability.....	52
Note 4 - Deposits and Investments	53
Note 5 - Fair Value Measurement.....	57
Note 6 - Receivables	62
Note 7 - Notes and Leases Receivable	62
Note 8 - Capital Assets	65
Note 9 - Interfund Receivables and Payables	69
Note 10 - Long-term Debt.....	70
Note 11 - Leases and SBITA.....	76

CITY OF KNOXVILLE, TENNESSEE

ANNUAL COMPREHENSIVE FINANCIAL REPORT For the Year Ended June 30, 2023

Table of Contents - Continued

	<u>Page</u>
Note 12 - Fund Balances	79
Note 13 - Risk Management	80
Note 14 - Joint Ventures	82
Note 15 - Management Agreements	83
Note 16 - Commitments and Contingencies	84
Note 17 - Business and Credit Concentrations	87
Note 18 - Transfers	87
Note 19 - Retirement and Disability Plans	89
Note 20 - Other Post-Employment Benefits (OPEB)	97
Note 21 - Related Party Transactions	101
Note 22 - Tax Abatements	101
Required Supplementary Information	
Schedule of Changes in Net Pension Liability and Related Ratios - City of Knoxville Pension System	103
Schedule of Employer Contributions - City of Knoxville Pension System	104
Schedule of Employer Contributions - Knoxville Utilities Board	104
Schedule of Changes in Total OPEB Liability and Related Ratios	105
Supplementary Information	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	108
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
State Street Aid	110
Community Development Block Grants	111
Abandoned Vehicles	112
City Inspections	113
City Court	114
Animal Control	115
Miscellaneous Special Revenue Funds	116
Storm Water	117
Solid Waste	118
Balance Sheet - Debt Service Funds	119
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Debt Service Funds	120
Balance Sheet - Capital Projects Funds	121
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - from Inception - Capital Projects Funds	122
Combining Statement of Net Position - Nonmajor Enterprise Funds	123
Combining Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Enterprise Funds	124
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	125
Combining Statement of Net Position - Internal Service Funds	127
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	128
Combining Statement of Cash Flows - Internal Service Funds	129
Combining Statement of Fiduciary Net Position - Custodial Funds	131

CITY OF KNOXVILLE, TENNESSEE

ANNUAL COMPREHENSIVE FINANCIAL REPORT For the Year Ended June 30, 2023

Table of Contents - Continued

	<u>Page</u>
Combining Statement of Changes in Fiduciary Net Position – Custodial Funds.....	132
Statement of Net Position - Knoxville Area Transit - Component Unit	133
Statement of Revenues, Expenses and Changes in Net Position - Knoxville Area Transit - Component Unit.....	134
Statement of Cash Flows - Knoxville Area Transit - Component Unit	135
Schedule of Changes in Long-Term Debt by Individual Issue.....	137
Schedule of Debt Service Requirements	138
Schedule of Changes in Lease Obligations.....	140
Schedule of Lease Requirements by Year	141
Schedule of Property Tax Levies and Collections	142
 STATISTICAL SECTION	
Financial Trends	
Net Position by Component	143
Changes in Net Position.....	144
Fund Balances of Governmental Funds.....	145
Changes in Fund Balances, Governmental Funds	146
Revenue Capacity	
Assessed and Estimated Actual Value of Taxable Property	147
Property Tax Rates - Direct and Overlapping Governments	148
Principal Property Taxpayers	149
Debt Capacity	
Ratios of Outstanding Debt by Type	150
Ratios of General Bonded Debt Outstanding.....	151
Legal Debt Margin	151
Pledged Revenue Coverage	152
Direct and Overlapping Governmental Activities Debt.....	153
Demographic and Economic Information	
Demographic and Economic Statistics.....	154
Principal Employers.....	155
Operating Information	
Full-time Equivalent City Government Employees by Function	156
Operating Indicators by Function	157
Capital Asset Statistics by Function	158
 COMPLIANCE SECTION	
Schedule of Expenditures of Federal and State Awards.....	159
Notes to the Schedule of Expenditures of Federal and State Awards	163
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 <i>Government Auditing Standards</i>	164
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	166
Schedule of Findings and Questioned Costs	169
Schedule of Prior Audit Findings and Questioned Costs	171



INTRODUCTORY SECTION



December 18, 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, 2023. 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, 2023.

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 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 agency 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 195,889 (2022 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 completely recovered from the financial effects of the pandemic and business is booming. At present, the biggest challenge facing the City of Knoxville is the nationwide housing crisis. Housing and rental prices are indeed higher than in the past due to low housing supply and there are many persons moving to Knoxville from other states. However, the City is actively working to improve the housing supply to alleviate the situation. Specifically, the City is working to zone certain areas for duplexes, triplexes, and apartments and is working to offer incentives to developers and redevelopers to entice them to offer relatively low rents. Additionally, the City and Knox County have jointly established "The Joint Office of Housing Stability to assist in alleviating the housing crisis and the City has engaged in numerous affordable rental development program initiatives to leverage millions in grant funds. Despite the housing situation, Knoxville is number ten on U.S. News and World Reports' list of the most inexpensive places to live in the United States because products, commodities, and services are much less expensive than elsewhere in the county. Due to Knoxville's affordability, natural beauty, and the numerous amenities offered people are moving to Knoxville in great numbers and the local economy is booming. Indeed, Knoxville has a bright future.

Additionally, revenues generated by downtown Knoxville businesses were 19.6% higher than the previous year according to an analysis by the Downtown Knoxville Alliance. The numbers show the downtown area has completely rebounded from the pandemic. This analysis was completed with tax data from the Tennessee Department of Revenue Research Section and reflects taxable revenue of restaurants, retail, and service businesses within the Central business Improvement District. In sum downtown Knoxville's growth was 20% which is outstanding.

One of the key reasons for this optimistic outlook is the City has significant business developments underway and population continues to grow. For example, Axle Logistics recently launched a major expansion in North Knoxville where \$40 million is to be invested and will bring hundreds of new jobs to the greater Knoxville area as stated by the Governor. Additionally, DePre LLC has begun manufacturing medical isolation gowns, in the greater Knoxville area, for more than 4,350 hospitals and healthcare providers nationwide. This \$10.3 million investment will create almost 30 new fulltime jobs. Also, Custom Foods of America, Inc. recently announced their plan to invest more than \$51 million to expand their manufacturing and distribution center on Pleasant Ridge Road which will create 249 jobs. The City and various partners have also undertaken the significant task of constructing a new multi-use stadium in close proximity to the downtown area. Over the next 30 years, this stadium is projected to generate just short of \$282 million in net new direct spending that will generate just sort of \$478 million in total output and 270 jobs according to an economic impact analysis by CSL. Property values near the stadium have already risen in value as businesses plan to develop in this area.

Due to the positive outlook within the City of Knoxville the City has seen 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 10.73% from FY 2022 to FY 2023 resulting in an additional \$6.1 million and growth by 4.53% in state shared sales tax revenue from FY 2022 to FY 2023 generating an additional \$1.0 million.

Tourism continues to be an economic generator for Knoxville, as we continued to see growth in visitation and economic activity in FY22/23. From July 2022 to June of 2023, hotel occupancy increased 1.5% over the prior fiscal year. Additionally, over 2.4 million rooms were sold over that period across the county, which reflects a 6% increase over FY21/22. Through Visit Knoxville's digital ad placement and organic website visitation, 42,479 bookings were made for 107,897 nights totaling more than \$14.1 million in revenue. In short, tourism in Knoxville continued to grow and thrive through FY22/23. The city is on the map for conventions and major sporting events. Some highlights of the year include Boy Scouts of America National Order of the Arrow Conference, Weston A. Price Foundation Wise Traditions Conference, and the 2023 Bassmaster Classic. The Bassmaster Classic not only welcomed a staggering crowd of 163,914 fans to Classic Week activities across Knoxville, but also reached 4.5 million viewers across the two days of FOX and FS1 coverage. The Classic generated an economic windfall of more than \$35.5 million for the community. Fans traveling from across the nation and as far away as Australia and Japan also accounted for 31,525 room nights at hotels across Knox County. This event has since won multiple awards, including the 2023 Hospitality TN Purple Iris Award for Special Event of the Year, the 2023 Sports Destination Management Champions of Economic Impact in Sports Tourism, and the 2023 Sports Travel award for Best Professional Event.

In addition to conferences, conventions, and sporting events, Knoxville has many annual festivals and special events. A few of these include the Dogwood Arts Festival, Big Ears Festival, the Tennessee Valley Fair, the Knoxville Asian Festival, and HoLa Festival. Outside of these, Knoxville has a thriving arts and culture scene with a variety of entertainment options year-round. 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. From touring Broadway productions to live music concerts nearly daily at the WDVX broadcasting studio there are many opportunities to enjoy performances nearly every day of the year. The Knoxville Museum of Art, the Emporium Center for Arts and Culture, and the Candoro Marble Building feature changing exhibits throughout the year.

Knoxville is also an established destination for nature and recreation enthusiasts. The Urban Wilderness in South Knoxville, which includes Ijams Nature Center, Baker Creek Preserve, Civil War sites, and more, continues to welcome visitors from around the world. Knoxville's parks, greenways, waterways, trails, and gardens all showcase the many opportunities visitors have to experience the great outdoors. The University of Tennessee Volunteers, the Knoxville Ice Bears, OneKnox SC, and the Women's Basketball Hall of Fame highlight Knoxville's strong sporting culture in a variety of ways.

The history of Knoxville attracts interest in the present. 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. From log cabins to frame houses to stately stone mansions, the Historic House Museums of Knoxville invite visitors into the past to experience the times and events that shaped them and the families who occupied them. Knoxville's more recent history includes the 1982 World's Fair, where the Sunsphere stands today. Since reopening in February 2022, the Sunsphere has seen over 80,000 visitors from all 50 states and 53 countries. The Sunsphere is not only a physical remainder from the world's fair, but an iconic snapshot of Knoxville: a bright beacon, welcoming to all. 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	\$56,944	16.71%
2023	\$63,056	10.73%

As shown above, in FY 2023 the City experienced a 10.73% increase in local option sales tax revenue (an additional \$6.1 Million). The City's local option sales tax revenue has been on the rise for many years and this trend continued from FY 2022 to FY 2023. In large measure, these sales tax revenue increases have helped protect the City from the inflationary effects of recent years. Thus, the financial status of the City remains strong. 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 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 FY23, 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. The average unemployment rate in the metro area was 3.1 percent (according to the Bureau of Labor & Statistics) which reflects a decrease of seven tenths of a percentage point from FY 22.

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 44 truck lines, three railroads, and five airlines.

Our component units have rebounded from the pandemic and are doing well. The Knoxville Utilities Board (KUB), which provides electric, fiber, gas, water and wastewater to the City and outlying areas saw an increase in its net position of \$69.5 million in FY23, compared to an increase of \$77.7 million in FY22. KUB provides utility services to more than 486,000 customers in Knoxville and parts of seven surrounding counties. KUB's system is comprised of 5,490 miles of electric service lines, 63 electric substations, 2,570 miles of gas service mains, 1,412 miles of water service mains, 28 water storage facilities, 26 water booster pump stations, one water treatment plant, 1,336 miles of wastewater service mains, 74 wastewater pump stations, 4 wastewater treatment plants and 618 miles of fiber. KUB has approximately 1,200 employees. Functioning with an approved operating budget of \$1.2 billion and \$2.4 billion in net capital assets, it is the fourth largest customer of the Tennessee Valley Authority.

The Metropolitan Knoxville Airport Authority (MCAA) is also in solid shape. According to the Federal Aviation Administration's Aerospace Forecast FY2023-2043, industry conditions and the related outlook have brightened considerably since 2020. Leisure travel rebounded considerably as travel restrictions were lifted, with business demand making a 70-80% recovery over pre-pandemic levels. As FY2023 ended, Knoxville airline passengers continued the upward trend begun in 2022. "Bleisure" travel, or leisure travel attached to business, continued to strengthen the local market.

The general aviation (GA) sector was less affected by the COVID-19 crisis than the airlines and now has almost completely recovered. The long-term outlook for general aviation is promising; Downtown Island Airport is experiencing a similar trend.

MCAA 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 \$11.8M funding from the Airport Rescue Grant. The final installments of those monies are expected to be utilized early FY24 as per management's stimulus funding plan.

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 2.3 million passenger trips during fiscal year 22/23, 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.

During the course of this fiscal year, KAT completed a comprehensive review of the bus network, that included stakeholder and rider engagement; culminating in the approval of KAT Reimagined the new bus network. KAT was awarded a Federal Transit Administration Low or No Emissions grant for \$3.64 million to add overhead electric bus charging infrastructure.

There are some exciting projects on the horizon for KAT. Projects that are being undertaken to increase customer focus and ridership such as bus stop improvements, adding more electric buses and electric bus overhead charging, new fare payment options, and launching “KAT Reimagined”.

The Knoxville market continues to thrive, growing programming and attendance at each public assembly facility during FY 22/23. Conventions, sporting events, public and consumer shows, and live entertainment, are all competing for dates. The Knoxville Convention Center, Civic Auditorium and Coliseum, and Chilhowee Park and Exposition Center welcomed 787,321 visitors in FY 22/23 which is an increase of 30% from the previous fiscal year with an increase in bookings of 29%, breaking revenue, booking, and attendance records multiple months running.

The 500,000 square foot Knoxville Convention Center in conjunction with 70,000 square foot World’s Fair Exhibition Hall, welcomed over 463,694 attendees, to 205 events, with 538 use days in FY 22/23. Convention and conference bookings, youth sports events, and public shows, continue to be solid. The Knoxville Civic Auditorium and Coliseum seating holds 6,000 for an arena show, with a 2,500-seat auditorium, welcomed 264,222 attendees in FY 22/23. This venue hosted 38 touring shows (8 sold out), 30 hockey games (7 sold out) totaling over 200 events in all. The shift of Food & Beverage at this venue to in-house improved revenues, service times, menu offerings, and positive customer feedback. 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 hosted 59,405 attendees with 363 use days and continues to grow in community usage, hosting approximately 35,000 on the grounds. The City of Knoxville is also an arts and culture destination whose festivals and attractions are recognized nationally for their quality, diversity, and innovation. It often punches above its weight class. Among the city’s many annual events are the Asian Cultural Festival (August), HoLa Hora Festival (September); Big Ears Festival (March); Dogwood Arts Festival (April); Christmas at Chilhowee and the Fantasy of Trees (December). An astounding seven historic house museums along with the East Tennessee History Center, the McClung Museum of Natural History and Culture, and the Beck Cultural Exchange Center, celebrate Knoxville’s rich heritage.

No fewer than 175 nonprofits operate within the city’s arts and culture sector, along with thousands of visual and performing artists, creatives, and other makers, earning Knoxville the distinction of being named a Maker City.

Voted #4 in the nation in 2023 by USAToday, Knoxville's Art District showcases the work of local and international artists, and it’s known as a lively place to find undiscovered artists in galleries and studios. An ArtWalk on the first Friday of every month highlights local artists among the growing gallery scene including the Knoxville Museum of Art and the Emporium Center for Arts & Culture which feature changing exhibits throughout the year.

Knoxville is the only city in the Southeast with two historic theaters, the Tennessee Theatre and the Bijou Theatre both of which offer performances nearly every day of the year in a vibrant downtown. Live entertainment includes touring Broadway productions and regular performances by the Knoxville

Symphony Orchestra, Knoxville Opera, and the Knoxville Jazz Orchestra. Live music concerts are presented at noon Monday-Saturday at the WDVX broadcasting studio downtown.

A recent survey by Americans for the Arts completed in May 2023, found that a 62 million arts and culture industry employs 2,000 full-time and spending by their audiences generates \$29.6 million per year in tax revenues. A startling 250,000 people participate in free arts and culture events in the city each year and 86% of attendees consider local arts and culture important to the community's quality of life.

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. According to the National Parks Service website (NPS.gov), the park provides an economic hub generating a cumulative benefit to the local economy of \$3.3 billion in 2022 and supports over 32,590 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 listed Knoxville among the top 100 places to live and recently listed Knoxville as number ten of the most inexpensive places to live in the United States. The quality of life, relatively inexpensive cost of living, convenient interstate access and other factors make the area an attractive location for many types of business/industry operations. Knoxville serves as home to some national and global industry leaders in the area such as Dollywood, Clayton Homes, 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 920 acres, 257 buildings and over \$1 billion in projects that are under design and construction. UTK experienced an enrollment increase during FY 23 of approximately 4.8% from FY 22 to FY 23 resulting in a grand total of 36,304 students to include the 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 many trade/vocational schools completing Knoxville's higher education system. Also operating in the area are six 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. 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 \$88.9 million directly supporting the pay and benefits for the men and women in uniform (Police and Fire) 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 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. The result has definitely boosted employee retention and recruitment in virtually all departments throughout the City.

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. In the most recent Capital Budget, the City invested \$37.2 million which reflects the funding 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 \$9.5 million in highway infrastructure which also supports bicyclists and pedestrians at specific high-priority locations. Additionally, just over 1.1 million was also provided for critical roadway safety investments such as 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 maintains support for critical stormwater drain repairs and drainage improvement projects. 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. In addition to funding \$800,000 for repairs and upgrades to roofs and heating, ventilation, and air conditioning (HVAC) equipment, the budget also continues to fund Sustainability and green fleet initiatives at a total of \$130,000 to support energy efficiency and electrification.

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 2,300 new, affordable units have opened in the last 5 years or are under construction thanks to the City's support, leveraging over \$600 million in other federal, state, and private investment. 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 \$25 Million toward housing initiatives, including \$8.5 million of local funds in FY23.

As the Knoxville economy continues to grow, the City and its partners work to ensure that growth reflects the needs of the 21st century economy and workforce. The budget includes a total of just over

\$1.3M to support Knoxville economic development partners: the Knoxville Chamber, Knoxville Community Development Corporation and the Knoxville Entrepreneur Center. This includes continued funding to support business development in Knoxville's Latino community in partnership with Centro Hispano and funding for the Knoxville Entrepreneur Center to support small businesses, including The Maker City and 100Knoxville initiatives. It also includes \$100,000 funding to support the Spark Cleantech Accelerator that aids early-stage, high-growth companies focused on solutions targeting the climate crisis while simultaneously supporting Tennessee's advanced energy and circular economies. 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, the City helps provide funding support for KUB's Student Internet Access Program that provides 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, 2022. This was the 37th 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. 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 also received GFOA's Distinguished Budget Presentation Award for the annual operating budget for 2023. This marks the 36th 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.

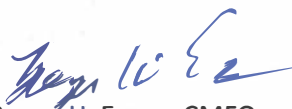
Acknowledgments

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 Knoxvilleans 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

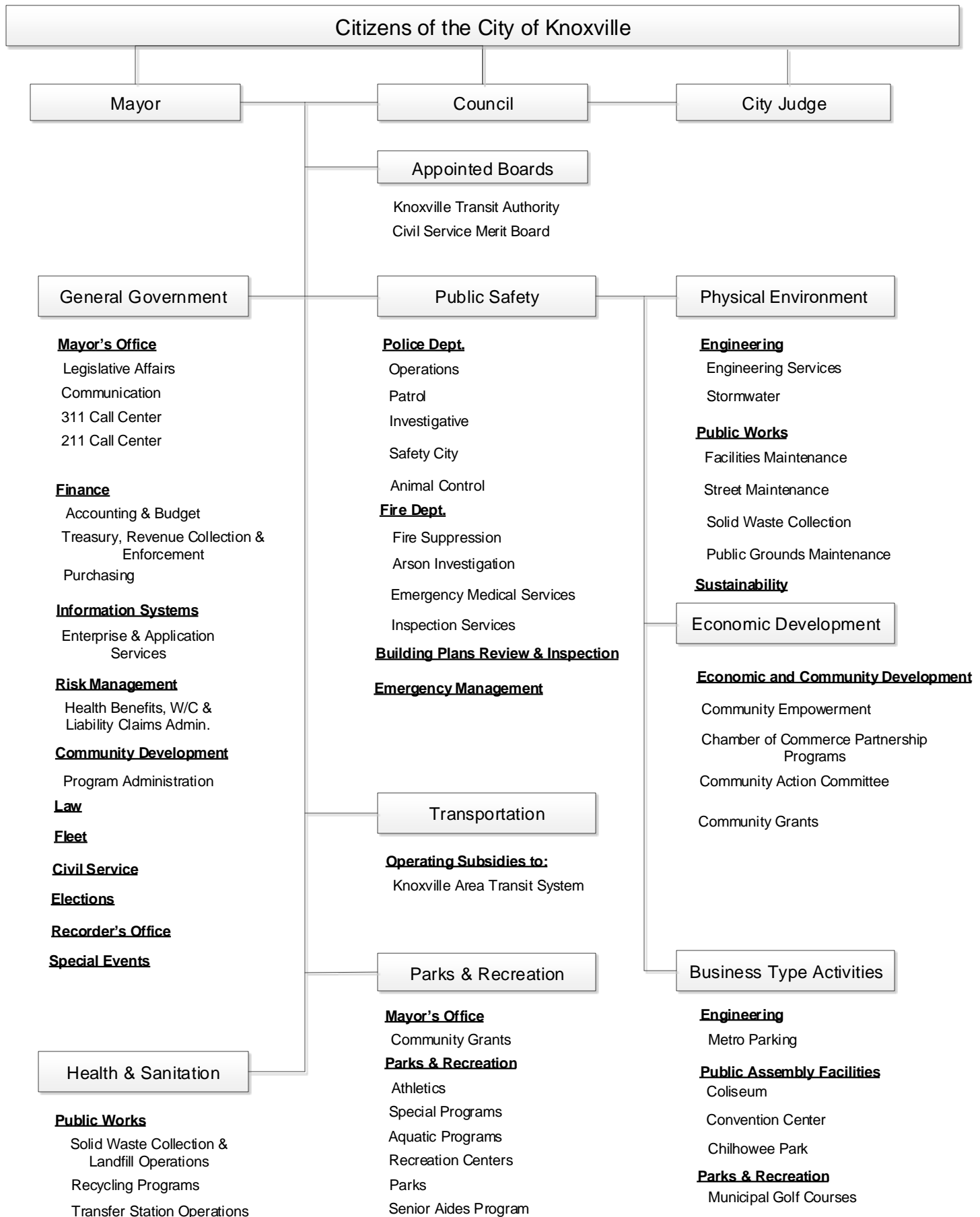
June 30, 2022

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, Vice Mayor
Seema Singh

Lauren Rider
Charles Thomas
Gwen McKenzie

Lynne Fugate
Janet Testerman
Amelia Parker

CITY JUDGE
John Rosson

PRINCIPAL DIRECTORS AND ADMINISTRATORS

Deputy to the Mayor – David Brace, Chief Operating Officer
Deputy to the Mayor – Erin Gill, Chief Policy Officer
Airport – Patrick Wilson, President
City Recorder – Will Johnson
Civil Service – Vicki Hatfield, Director
Communications – Kristin Farley, Director
Community Safety and Empowerment – LaKenya Middlebrook, Director
Engineering – Tom Clabo, Director
Finance & Accountability – Boyce Evans, Chief Finance Officer
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 – Kyndra Brewer, 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, 2023, 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, 2023, 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 97 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units of the City as of June 30, 2023, 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.

Change in Accounting Principle

As discussed in Note 1 of the financial statements, effective July 1, 2022, the City adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are 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 103 and 104, and the schedule of changes in total OPEB liability and related ratios on page 105, 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 December 29, 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.

Nashville, Tennessee
December 29, 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, 2023.

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 \$895,869,967 (*net position*). Of this amount, \$401,922,264 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$90,230,032, a change of 11.20%, when compared to FY2022 ending net position. This increase stems primarily from solid local option and state shared sales tax revenue growth, effective budgetary controls, and an increase in interest income earnings.
- As of the close of the fiscal year, the city's governmental funds reported combined ending fund balances of \$374,864,940 an increase of \$37,112,812 over the prior year. Of this total, \$328,027,542 or 87.51% is either non-spendable, restricted, committed, or assigned. The remaining balance of \$46,837,398 is available for other uses.
- The ending fund balance in the City's General Fund increased by \$29,025,995 or 25% over the prior year ending fund balance. For FY2023, \$11,179,870 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 \$21,430,246 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 \$556,198 is considered non-spendable and \$96,250,885 is assigned or committed. The remaining balance of \$46,837,398 is available for spending at the City's discretion.
- The City's total long-term debt for the primary government decreased by \$13,550,000 from \$180,685,000 to \$167,135,000 during the fiscal year. The net decrease is simply the result of our debt service payments made during FY 2023

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, 2023

A condensed version of the Statement of Net Position follows:

For Fiscal Years Ending June 30
(In \$1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets						
Cash and investments	\$ 526,042	\$ 467,279	\$ 84,248	\$ 89,029	\$ 610,290	\$ 556,308
Other assets	241,273	241,299	11,563	(5,705)	252,835	235,594
Capital assets	530,326	492,399	132,819	139,526	663,145	631,925
Total assets	1,297,641	1,200,977	228,629	222,850	1,526,270	1,423,827
Deferred Outflows	137,174	42,086	-	-	137,174	42,086
Liabilities						
Other liabilities	32,758	26,887	6,563	3,892	39,321	30,779
Noncurrent liabilities	457,371	314,718	71,934	77,842	529,305	392,560
Total liabilities	490,129	341,605	78,497	81,734	568,626	423,339
Deferred Inflows	198,817	236,738	131	196	198,948	236,934
Net position						
Net investment in capital assets	414,218	371,712	60,906	61,691	475,124	433,403
Restricted	18,824	18,272	-	-	18,824	18,272
Unrestricted	312,827	274,736	89,095	79,229	401,922	353,965
Total net position	\$ 745,869	\$ 664,720	\$ 150,001	\$ 140,920	\$ 895,870	\$ 805,640

Governmental Activities

Assets have increased by 8.05% and liabilities have increased by 43.48% when compared to FY2022 levels. The increase in assets is due primarily to an increase in capital assets that have been placed into service and investment earnings. Noncurrent liabilities increased by approximately \$142.7 primarily due to an increase in the City's net pension liability. The result of these changes is an increase in total net position of 12.21%.

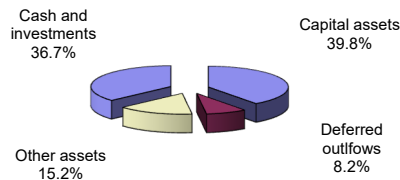
Business-Type Activities

Assets and liabilities changed by 2.59% and (3.96%) respectively from FY2022 levels. The overall result of all these changes is a 6.44% increase in net position.

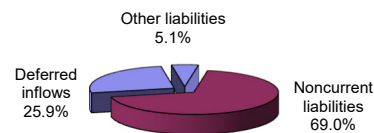
Total Primary Government

The City's capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure, and construction in progress account for 39.86% of \$1,663.4 million in total assets and deferred outflows. Taxes and governmental receivables and other assets constitute 15.20%. Current liquid assets comprised of cash and investments represents 36.69% and deferred outflows representing pension and other post-employment benefits account for 8.25%.

Primary Government Assets & Deferred Outflows



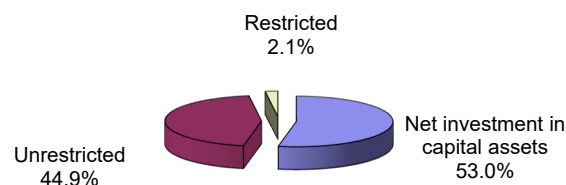
Primary Government Liabilities & Deferred Inflows



Of the total government liabilities and deferred inflows, 69.0% are in long-term debt. Of the total long-term debt, approximately \$69.8 million, is related to debt issued to finance the convention center and approximately \$62.7 million pertains to the new Safety Complex that has just been completed.

A portion of the City's total net position is restricted for specific purposes. These restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are system development charges, bond proceeds, taxes and other collections limited to repayment of debt. The unrestricted net assets of the City's primary governmental activities represent 44.86% of total primary government net assets.

Primary Government Total Net Position



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

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	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 11,800	\$ 11,285	\$ 18,300	\$ 14,833	\$ 30,100	\$ 26,118
Operating grants & contributions	31,504	8,653	1,500	1,500	33,004	10,153
Capital grants & contributions	7,651	7,037	481	-	8,132	7,037
General revenues:						
Taxes	318,425	299,563	15,408	9,515	333,833	309,078
Interest	22,127	(378)	2,961	157	25,088	(221)
Other	9,014	4,975	758	866	9,772	5,841
Total revenues	400,520	331,134	39,408	26,871	439,929	358,006
Expenses:						
General government	60,899	47,472	-	-	60,899	47,472
Public safety	129,522	99,880	-	-	129,522	99,880
Physical Environment	61,674	56,689	-	-	61,674	56,689
Transportation	1,342	3,373	-	-	1,342	3,373
Economic development	17,383	16,886	-	-	17,383	16,886
Parks and recreation	14,460	13,285	-	-	14,460	13,285
Health & Sanitation	11,520	10,571	-	-	11,520	10,571
Interest on long-term debt	4,167	4,317	-	-	4,167	4,317
Other	-	-	38,670	31,698	38,670	31,698
Total expenses	300,967	252,473	38,670	31,698	339,637	284,171
Increase (decrease) in net position before transfers	99,554	78,661	738	(4,827)	100,292	73,835
Transfers	(18,405)	(10,854)	8,343	10,854	(10,062)	-
Changes in net position	81,149	67,807	9,081	6,027	90,230	73,834
Beginning net position	664,720	596,913	140,920	134,893	805,640	731,806
Ending net position	\$ 745,869	\$ 664,720	\$ 150,001	\$ 140,920	\$ 895,870	\$ 805,640

Reflected in the Government-Wide Statement of Activities for the fiscal year ending June 30, 2023, 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 approximately \$35.1 million due to a property tax reassessment of real property and an increase in the property tax rate. Additionally, local option sales tax collections increased by approximately 11% from FY 2022 to FY 2023. 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

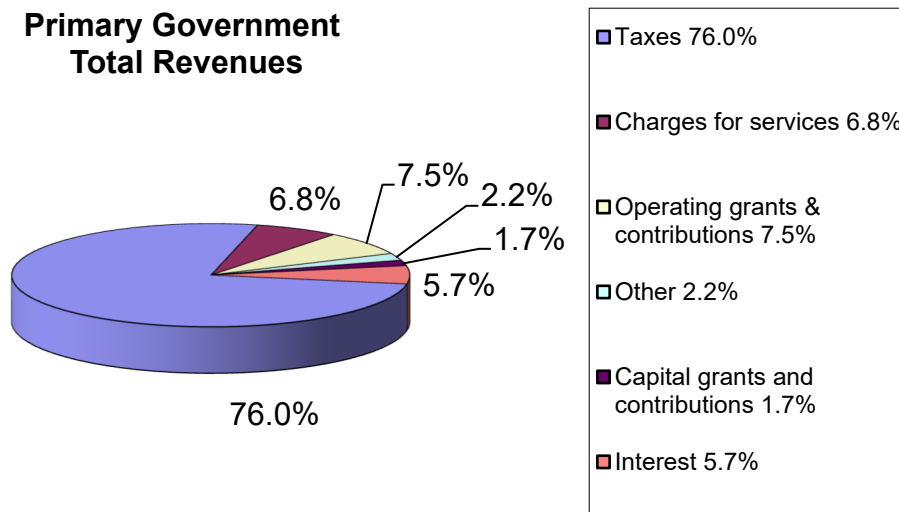
operations. Public safety operations (police, fire, emergency management and codes enforcement) accounted for 38.14% of the City's total governmental operation expenses of \$339.6 million. All other City operations are financed by either local or state taxes, grants, or various shared revenues.

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.

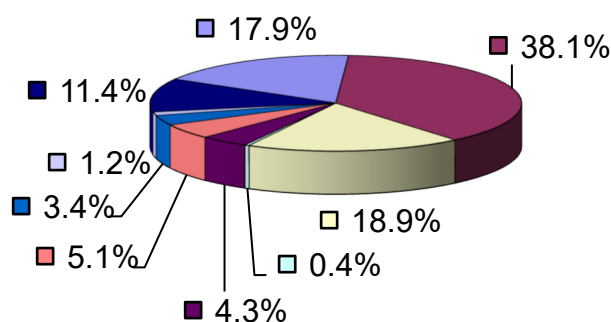
Total Government

Primary Government Revenues were \$439.9 million. The largest portion of these revenues (\$333.8 million – 75.88%) was from taxes.



Total primary government expenses totaled \$339.6 million, 38.14% of which was directed toward public safety.

Primary Government Total Expenses



General government	17.9%
Public safety	38.1%
Physical Environment	18.9%
Transportation	0.4%
Parks and recreation	4.3%
Economic development	5.1%
Health & Sanitation	3.4%
Interest on long-term debt	1.2%
Other	11.4%

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Program Revenues	\$ 976,845	\$ 907,270	\$ 58,858	\$ 48,982	\$ 26,884	\$ 73,385	\$1,062,587	\$1,029,637
Program Expenses	(916,876)	(822,371)	(47,700)	(39,289)	(37,041)	(52,615)	(1,001,617)	(914,275)
Total General Revenues	9,564	(7,217)	(584)	6,676	8,149	(1,041)	17,129	(1,582)
Change in Net Assets	69,533	77,682	10,574	16,369	(2,008)	19,729	78,099	113,780
Net Position at Year End	\$1,432,860	\$1,363,327	\$ 342,421	\$ 331,848	\$ 58,580	\$ 60,587	\$1,833,861	\$1,755,762

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2023

The total Governmental Funds fund balance as of June 30, 2023 was \$374.9 million of which the general fund's balance is approximately \$143.6 million, the debt service fund is \$56.9 million, capital projects funds comprise \$124.8 million, miscellaneous community development funds total \$1.8 million and the remaining \$47.7 million is distributed among the various special revenue and permanent funds. In aggregate, the total Governmental Funds' fund balances increased by \$37.1 million (or 10.99%) when compared to the prior year. The change was predominantly in the General Fund (increasing 25.32%) reflecting the strong growth of stated shared and local option sales tax revenue as well as interest income. 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, 2023

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, 2023, 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	2023	2022	Percent of Total 2023	Change from Prior Year Increase (Decrease)	Percent Change
Taxes, assessments, interest & penalties	\$ 287,751	\$ 247,503	73.92%	\$ 40,248	16.26%
Licenses, permits and inspection charges	3,586	3,642	0.92%	(56)	(1.54%)
Intergovernmental revenue	63,164	64,455	16.23%	(1,290)	(2.00%)
Charges for services	7,139	5,191	1.83%	1,948	37.53%
Fines and forfeitures	2,964	2,794	0.76%	171	6.10%
Other	24,673	6,144	6.34%	18,529	301.60%
Totals	<u>\$ 389,278</u>	<u>\$ 329,729</u>	<u>100.00%</u>	<u>\$ 59,549</u>	<u>18.06%</u>

A comparison of revenues between FY2022 and FY2023 shows Total Government Fund revenues were up by approximately \$59.5 million or 18.06%. Local option sales tax showed the largest real growth, increasing 10.73% in FY2023 compared to FY2022. Intergovernmental revenue, which reflects grant funding earned and awarded, decreased by 2.0% (\$1.3 million). Charges for services increased approximately 37.53% (\$1.9 million). Property Tax revenue grew during FY2023 by 23.54%.

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, 2023, 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	2023	2022	Percent of Total 2023	Change from Prior Year	
				Increase (Decrease)	Percent Change
Administration	\$ 11,541	\$ 9,788	3.45%	\$ 1,753	17.91%
Finance	4,978	7,016	1.49%	(2,038)	(29.04%)
Information Systems	4,989	4,591	1.49%	398	8.67%
Community Development	13,171	14,427	3.94%	(1,257)	(8.71%)
South Knoxville Waterfront	375	356	0.11%	19	5.38%
Parks & Recreation	9,315	8,387	2.79%	928	11.07%
Mass Transit	1,342	2,351	0.40%	(1,009)	(42.91%)
Engineering	16,886	15,121	5.05%	1,765	11.67%
Public Services	43,337	39,514	12.97%	3,823	9.68%
Law	3,896	3,323	1.17%	573	17.24%
Police	69,231	64,063	20.72%	5,168	8.07%
Emergency Management	845	617	0.25%	229	37.06%
Fire	49,442	45,624	14.79%	3,818	8.37%
Codes Enforcement	840	811	0.25%	29	3.59%
Legislative	1,069	904	0.32%	165	18.28%
Civil Service	1,680	1,656	0.50%	24	1.44%
City Elections	-	416	0.00%	(416)	N/A
Knoxville Partnership	23	709	0.01%	(686)	(96.83%)
Metropolitan Planning Commission	1,335	1,305	0.40%	30	2.30%
Knoxville Zoological Park	1,567	1,527	0.47%	40	2.62%
Community Agency Grants	1,263	2,143	0.38%	(881)	(41.10%)
Community Action Committee	1,096	1,023	0.33%	74	7.20%
Tax Increment Payments	3,710	2,881	1.11%	829	28.77%
Other General Government	19,786	19,071	5.92%	715	3.75%
Capital and Grant Projects	59,531	69,377	17.81%	(9,846)	(14.19%)
Debt service:					
Issuance Costs	-	135	0.00%	(135)	N/A
Principal retirement	8,720	6,404	2.61%	2,316	36.16%
Interest on bonds and notes	4,223	4,445	1.26%	(221)	(4.98%)
Total Expenditures	<u>\$ 334,192</u>	<u>\$ 327,984</u>	<u>100.00%</u>	<u>\$ 6,208</u>	<u>1.89%</u>

Overall, Total Governmental Funds expenditures in FY2023 increased by approximately \$6.2 million. This is primarily due to increased personnel (salaries and benefits) cost increases across all departments, the Parks and Recreation Department's enhanced focus on renovating City parks, and an increase in Tax Incentive Financing (TIF) payments for affordable housing initiatives. Public Safety (Police, Fire, Emergency Management and Codes Enforcement) increased by \$9.2 million due primarily to increased personnel costs.

Proprietary Funds Statements

Statement of Net Position at June 30, 2023

The Knoxville Convention Center, 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, 2023

The statement of the revenues, expenses, and transfers indicates that there is an increase in total Proprietary Funds net position, including internal service funds, of \$21.3 million, after transfers.

Statement of Cash Flows for the Year Ended June 30, 2023

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 business type activities increased by \$9.1 million from FY 2022 to FY 2023. This is primarily attributed to solid local economic conditions, growth in the local tourism industry, Knoxville's well attended numerous annual festivals, and the fact that Knoxville has become an established destination for nature and recreation enthusiasts. The Metro Parking Fund (parking garages) finished the fiscal year with a negative cash flow of \$400,000. Public Assembly Facilities had a \$5,635,186 negative cash flow which is to be expected from virtually any public facility but these public facilities provide places for events of all types that support the local economy in a major way. 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.

Condensed Financial Information Proprietary Funds For Fiscal Years Ending June 30 (In \$1,000's)						
Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2023	2022	2023	2022	2023	2022
I. Business-type Activities						
A. Knoxville Convention Center	\$ 26,837	\$ 15,249	\$ 22,701	\$ 16,862	\$ 1,815	\$ 4,198
B. Other (Non-major enterprise funds)						
1. Metro Parking	4,464	3,725	4,348	4,220	640	130
2. Public Assembly Facilities	5,927	5,726	9,798	8,789	5,264	6,214
3. Municipal Golf Courses	1,699	1,618	1,825	1,676	624	312
Total Business-type Activities	<u>38,928</u>	<u>26,318</u>	<u>38,670</u>	<u>31,548</u>	<u>8,343</u>	<u>10,854</u>
II. Governmental Activities						
A. Internal Service Funds						
1. Fleet Maintenance	23,840	19,987	17,881	16,217	503	(133)
2. Risk Management	9,285	7,698	7,704	8,444	255	3
3. Health Insurance	23,734	21,029	24,188	20,784	-	366
4. Equipment Replacement	4,620	3,462	3,508	3,468	894	856
5. City Buildings	4,366	2,387	4,143	2,130	401	287
Total Governmental Activities	<u>65,844</u>	<u>54,564</u>	<u>57,424</u>	<u>51,043</u>	<u>2,052</u>	<u>1,379</u>
Totals	<u>\$ 104,771</u>	<u>\$ 80,882</u>	<u>\$ 96,094</u>	<u>\$ 82,591</u>	<u>\$ 10,396</u>	<u>\$ 12,233</u>

Condensed Financial Information (continued)
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	
	2023	2022	2023	2022	2023	2022
I. Business-type Activities						
A. Knoxville Convention Center	\$ -	\$ -	\$ 5,951	\$ 2,585	\$ 90,150	\$ 84,199
B. Other (Non-major enterprise funds)						
1. Metro Parking	45	309	802	(56)	29,955	29,153
2. Public Assembly Facilities	436	92	1,830	3,243	27,113	25,283
3. Municipal Golf Courses	-	-	499	254	2,783	2,284
Total Business-type Activities	<u>482</u>	<u>401</u>	<u>9,082</u>	<u>6,026</u>	<u>150,001</u>	<u>140,919</u>
II. Governmental Activities						
A. Internal Service Funds						
1. Fleet Maintenance	1,424	25	7,886	3,662	98,919	91,033
2. Risk Management	-	-	1,835	(743)	20,957	19,122
3. Health Insurance	-	-	(454)	611	22,134	22,588
4. Equipment Replacement	348	1,010	2,354	1,860	38,349	35,996
5. City Buildings	-	-	623	544	4,267	3,643
Total Governmental Activities	<u>1,772</u>	<u>1,035</u>	<u>12,244</u>	<u>5,934</u>	<u>184,625</u>	<u>172,381</u>
Totals	<u>\$ 2,254</u>	<u>\$ 1,436</u>	<u>\$ 21,326</u>	<u>\$ 11,960</u>	<u>\$ 334,626</u>	<u>\$ 313,300</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

	FY2023 Contribution Rates	FY2022 Contribution Rates	Estimated FY2024 Contribution Rates
General Government Employees (Closed)	7.27%	7.35%	7.78%
General Government Employees (Open)	9.05%	8.83%	8.79%
Uniformed Employees (Closed)	17.56%	17.65%	18.26%
Uniformed Employees (Open)	12.96%	12.96%	12.74%

The City's Pension Fund is being funded, as required by the actuary, and is currently 69.60% funded. 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 FY23 this amount was \$19.4 million and is estimated at \$21.8 million in FY24. 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 29.80% in FY22 and 31.52%

in FY23 for General Government employees, and 57.94% and 60.65% 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 8.75% for general government and 12.7% 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 19 years remaining as of July 1, 2023. 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 FY23 is 7.20%, but will decrease by .05% for the next four years until reaching 7.0% in FY27. 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 \$11.3 million 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, 2023

Department	Carry Forward of Prior Year		Total Changes
	Encumbrances	Other	
Administration	\$ 93,081	\$ 656,139	\$ 749,220
Finance	212,859	(546,039)	(333,180)
Information Systems	42,313	(251,313)	(209,000)
Community Development	338,087	(278,087)	60,000
Public Service	46,310	(50,210)	(3,900)
Engineering	268,875	(457,835)	(188,960)
Inspections	(47)	47	-
Parks and Recreation	(66,047)	80,007	13,960
Mass Transit	-	182,125	182,125
Law	50,275	199,725	250,000
Police	502,954	13,240	516,194
Fire	203	37,297	37,500
Legislative	14,926	(14,926)	-
Civil Service	-	13,300	13,300
Human Resources	98,042	38,628	136,670
City Elections	-	(451,390)	(451,390)
Knoxville Zoo	-	(61,340)	(61,340)
Agency Grants	-	-	-
Other Non-Departmental	-	73,600	73,600
Community Action Committee (CAC)	-	-	-
Transfers	-	10,467,501	10,467,501
Total General Fund	<u>\$ 1,601,832</u>	<u>\$ 9,650,468</u>	<u>\$ 11,252,300</u>

Approximately 14% of the change in budget amendments are due to the reappropriation of prior year encumbrances, \$1,601,832, and are reflected in multiple city departments. The Administration budget increase of \$749,220 is due to increasing the 311/211 Call Center's budget to expand services, providing funds to a Community School's Pilot Program, funding a "Cities for Financial Empowerment" initiative, and supporting the Baker Center Fellowship Program. The Police budget increase of 516,194 is partially related to \$250,000 appropriated to fund a consultant services contract with the balance due to the purchase of new tasers and body cameras. The increase in Transfers, \$10,467,501, was driven by a \$5,000,000 increase to the Public Safety Complex capital project and a \$3,457,000 Sevier Avenue Streetscapes capital project.

Capital Asset and Debt Administration

As of June 30, 2023, the primary government had net investment of \$663.1 million in capital assets. Buildings and Improvements increased by \$3.50 million. This increase is primarily due to completion of parking garage repairs, recreation center renovations, roof repairs at Safety City, and ADA access improvements in public facilities. Equipment, furniture, and fixtures increased by \$8.13 million. This increase is primarily due to the purchase of an EMA mobile command post, police forensics workstation, upgraded fire alerting system, and other public safety upgrades. Infrastructure increased by \$22.65 million resulting from projects completed in FY23, such as I-275 Business Park Access Improvements, Pedestrian Infrastructure Improvements, Traffic Signal Modernization, Sidewalk Replacements, and Street Resurfacing at Lakeshore Park. The City has many other ongoing programs that maintain roadways, bridges, creeks, and drains to help preserve infrastructure. Construction in progress increased by \$25.97 million. This increase is mainly due to the construction of the City's Public Safety Building, and infrastructure improvements to Austin Homes

and Lakeshore Park. 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	
	2023	2022	2023	2022	2023	2022
Land and site improvements	\$ 85,504	\$ 85,150	\$ 7,686	\$ 7,686	\$ 93,190	\$ 92,836
Buildings and improvements	86,398	83,161	234,259	233,998	320,657	317,158
Equipment, furniture & fixtures	146,227	138,384	11,976	11,685	158,203	150,069
Infrastructure	541,557	518,903	31,809	31,809	573,366	550,712
Construction in progress	109,715	83,892	143	-	109,858	83,892
Net Right of Use Lease and SBITA	5,505	5,504	-	-	5,505	5,504
Less accumulated depreciation & amortization	(444,579)	(417,426)	(153,056)	(145,652)	(597,635)	(563,078)
Totals	<u>\$ 530,326</u>	<u>\$ 497,568</u>	<u>\$ 132,818</u>	<u>\$ 139,525</u>	<u>\$ 663,144</u>	<u>\$ 637,093</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	
	2023	2022	2023	2022	2023	2022
Beginning balance	\$ 912,511	\$ 827,285	\$ 285,177	\$ 284,587	\$ 1,197,689	\$ 1,111,872
Additions	146,015	125,640	697	597	146,712	126,237
Deletions	(83,622)	(37,931)	-	(6)	(83,622)	(37,937)
Balance before depreciation and amortization	974,905	914,994	285,874	285,177	1,260,779	1,200,171
Accumulated depreciation and amortization	(444,579)	(417,426)	(153,056)	(145,652)	(597,635)	(563,078)
Balance after depreciation and amortization	<u>\$ 530,326</u>	<u>\$ 497,568</u>	<u>\$ 132,818</u>	<u>\$ 139,525</u>	<u>\$ 663,144</u>	<u>\$ 637,093</u>

As of the year-end, the City's Total Primary Government had \$167.1 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		Inc / (Dec.)
	2023	2022	2023	2022	2023	2022	
Current - Due in 1 year:							
General Obligation Bonds	\$ 8,000	\$ 7,575	\$ 6,210	\$ 5,900	\$ 14,210	\$ 13,475	\$ 735
Section 108 Loan	170	170	-	-	170	170	-
Total Current	8,170	7,745	6,210	5,900	14,380	13,645	735
Non Current - Due in more than 1 year:							
General Obligation Bonds	87,120	95,120	63,585	69,700	150,705	164,820	(14,115)
Section 108 Loan	2,050	2,220	-	-	2,050	2,220	(170)
Note Payable	-	-	-	-	-	-	-
Total Non Current	89,170	97,340	63,585	69,700	152,755	167,040	(14,285)
Subtotal	97,340	105,085	69,795	75,600	167,135	180,685	(13,550)
Unamortized Premiums, Discounts and Gain on Refunding	16,903	17,931	2,118	2,235	19,020	20,166	(1,146)
Total Long Term Debt	<u>\$ 114,243</u>	<u>\$ 123,016</u>	<u>\$ 71,913</u>	<u>\$ 77,835</u>	<u>\$ 186,155</u>	<u>\$ 200,851</u>	<u>\$ (14,696)</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>2023</u>	<u>2022</u>
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AAA	AAA
Fitch Ratings	AAA	AAA

Economic Factors

Despite the nationwide housing crisis, relatively high interest rates and inflationary costs, the City of Knoxville's overall financial status remains optimistic. This is due to many factors such as major new developments in the city, strong sales tax revenue growth, the strength of the tourism industry (hotels and restaurants), the ongoing creation of more housing, improvements in entertainment venues, and a continued 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 \$269 million or 87.28% 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 increased in FY 22/23 and this trend will likely continue due to increased real property development initiatives that are underway. In FY2023 the taxable value of real property increased by 4.8% and the overall tax roll increased by 3.43%, prior to an adopted tax rate increase. This increase is attributed to a surge in post pandemic new developments and may not be sustained for multiple years. 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 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 \$63.06 million or 20.46% of total General Fund revenues. This source, in both Tennessee and the greater Knoxville area, came in much higher than anticipated for FY2023. Growth in local option sales tax revenue in FY2023 increased by 10.73%, or approximately \$6.11 million when compared to FY2022. Going forward we forecast that the growth will slow a bit to approximately flat year over year.

The third largest revenue category of the General Fund is intergovernmental revenue, and accounts for \$30.6 million or 9.93% of total revenue. When compared to FY2022 this represents an increase of approximately \$2.04 million or 7.16%.

Other revenue sources include fines and forfeitures and miscellaneous revenue items increased \$4.44 million. Interest revenue was the main driver of this increase, \$4.7 million. Charges for Services increased 32.62%, \$526K, to FY2022.

In summary, the revenue picture is relatively good in most areas. Revenues are expected to continue to grow but possibly at a slower level as economists predict a slowing of sales tax revenue growth. The largest concerns on the expenditure side of the ledger remain salary, benefit, and pension costs.

Fund balance grew due to growth in revenue from state shared and local option sales tax revenue, an increase in interest earnings, and 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 reducing 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 19 years remaining as of July 1, 2023. 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 a five year period which, of course, increases 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 taxes to fully fund increased pay for employees 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 continues to exceed expectations thus lowering the expected operating loss on the facility. The downtown area also continues to thrive and should continue to grow in the future with the construction of a large multi-use baseball stadium that is in close proximity to downtown. 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.

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Assets					
Cash and cash equivalents	\$ 14,236,534	\$ 7,086,971	\$ 21,323,505	\$ 192,349,644	\$ 213,673,149
Investments	511,804,973	77,160,968	588,965,941	136,042,360	725,008,301
Receivables (net of allowance for uncollectibles):					
Accounts	8,437,608	4,252,924	12,690,532	116,485,436	129,175,968
Taxes	186,570,270	-	186,570,270	-	186,570,270
Notes and leases	31,786,746	-	31,786,746	-	31,786,746
TVA conservation program	-	-	-	250,291	250,291
Other	-	58,869	58,869	1,450,257	1,509,126
Internal balances	(4,121,644)	4,121,644	-	-	-
Due from governmental agencies	402,682	-	402,682	-	402,682
Due from fiduciary fund	-	-	-	92,437	92,437
Due from component units	13,973,408	2,540,341	16,513,749	-	16,513,749
Current portion of lease receivable	-	-	-	719,474	719,474
Inventories	2,668,049	230,896	2,898,945	29,757,617	32,656,562
Prepaid items	-	100,493	100,493	20,302,946	20,403,439
Equity interest in joint venture	1,556,082	257,580	1,813,662	-	1,813,662
Deferred charges	-	-	-	1,087,504	1,087,504
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	57,487,072	57,487,072
Unused bond proceeds	-	-	-	13	13
Receivables	-	-	-	807,721	807,721
Other	-	-	-	301,518	301,518
Long-term lease receivable	-	-	-	12,273,599	12,273,599
Other assets	-	-	-	11,508,232	11,508,232
Capital assets:					
Land and site improvements	85,504,153	7,686,303	93,190,456	298,684,367	391,874,823
Buildings and improvements	86,397,672	234,259,414	320,657,086	220,818,800	541,475,886
Utility plant in service	-	-	-	3,268,468,254	3,268,468,254
Equipment, furniture and fixtures	146,226,939	11,976,225	158,203,164	101,809,703	260,012,867
Infrastructure and site improvements	541,556,731	31,809,032	573,365,763	557,914	573,923,677
Construction in progress	109,714,847	143,442	109,858,289	238,294,581	348,152,870
Right of use lease asset	3,020,698	-	3,020,698	4,670,258	7,690,956
Right of use subscription asset	2,484,061	-	2,484,061	9,323,779	11,807,840
Less accumulated amortization	(1,455,707)	-	(1,455,707)	(3,394,948)	(4,850,655)
Less accumulated depreciation	(443,123,719)	(153,055,776)	(596,179,495)	(1,456,820,748)	(2,053,000,243)
Total assets	1,297,640,383	228,629,326	1,526,269,709	3,263,328,081	4,789,597,790
Deferred outflows of resources					
Pensions	132,535,132	-	132,535,132	48,544,818	181,079,950
Other postemployment benefits	4,638,613	-	4,638,613	5,478,678	10,117,291
Unamortized bond refunding	-	-	-	13,720,819	13,720,819
Total deferred outflows of resources	137,173,745	-	137,173,745	67,744,315	204,918,060

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Liabilities					
Accounts payable	20,234,012	2,956,594	23,190,606	99,381,119	122,571,725
Matured principal and interest on bonds	-	-	-	15,370,481	15,370,481
Accrued liabilities	5,791,185	2,471,821	8,263,006	24,737,943	33,000,949
Due to primary government	-	-	-	11,972,929	11,972,929
Due to component unit	4,540,820	-	4,540,820	-	4,540,820
Due to other governmental agencies	30,045	-	30,045	-	30,045
Customer deposits, plus accrued interest	774,132	267,774	1,041,906	24,344,078	25,385,984
Accrued interest	1,387,827	398,338	1,786,165	36,515	1,822,680
Unearned revenue	-	468,751	468,751	118,612	587,363
Noncurrent liabilities due within one year:					
Lease liability	303,386	-	303,386	830,979	1,134,365
Subscription liability	793,639	-	793,639	910,426	1,704,065
Long-term debt due within one year	9,198,188	6,327,646	15,525,834	44,140,000	59,665,834
Other noncurrent liabilities due within one year	12,665,229	21,205	12,686,434	-	12,686,434
Noncurrent liabilities due in more than one year:					
Lease liability	2,153,906	-	2,153,906	2,696,599	4,850,505
Subscription liability	834,243	-	834,243	6,722,232	7,556,475
Long-term debt due in more than one year	105,044,398	65,584,978	170,629,376	1,073,020,000	1,243,649,376
Other noncurrent liabilities due in more than one year	19,292,478	-	19,292,478	141,944,808	161,237,286
Net pension liability	290,433,287	-	290,433,287	22,219,032	312,652,319
Other postemployment benefits liability	16,651,976	-	16,651,976	12,930,655	29,582,631
Total liabilities	<u>490,128,751</u>	<u>78,497,107</u>	<u>568,625,858</u>	<u>1,481,376,408</u>	<u>2,050,002,266</u>
Deferred inflows of resources					
Pensions	2,333,812	-	2,333,812	214,234	2,548,046
Lease inflow	-	-	-	12,620,786	12,620,786
Other postemployment benefits	2,753,824	-	2,753,824	-	2,753,824
Deferred revenue	11,703,463	-	11,703,463	1,461,436	13,164,899
Bond refunding gain	1,206,978	130,913	1,337,891	-	1,337,891
Unamortized bond refunding costs	-	-	-	1,539,009	1,539,009
Assessed and unlevied property taxes	180,818,639	-	180,818,639	-	180,818,639
Total deferred inflows of resources	<u>198,816,716</u>	<u>130,913</u>	<u>198,947,629</u>	<u>15,835,465</u>	<u>214,783,094</u>
Net position					
Net investment in capital assets	414,217,915	60,906,016	475,123,931	1,452,245,528	1,927,369,459
Restricted for:					
Debt service	-	-	-	23,816,674	23,816,674
Park maintenance:					
Nonexpendable	636,823	-	636,823	-	636,823
Expendable	414,762	-	414,762	-	414,762
Community development	3,388,022	-	3,388,022	-	3,388,022
Streets	4,706,734	-	4,706,734	-	4,706,734
Solid waste	4,597,159	-	4,597,159	-	4,597,159
Miscellaneous special revenue	5,080,272	-	5,080,272	-	5,080,272
Other	-	-	-	19,109,156	19,109,156
Unrestricted	312,826,974	89,095,290	401,922,264	338,689,165	740,611,429
Total net position	<u>\$ 745,868,661</u>	<u>\$ 150,001,306</u>	<u>\$ 895,869,967</u>	<u>\$ 1,833,860,523</u>	<u>\$ 2,729,730,490</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General Government	\$ 60,899,207	\$ 1,645,164	\$ 22,400,959	\$ -
Public Safety	129,521,901	6,135,330	1,558,129	3,422,001
Physical Environment	61,674,058	2,865,131	40,720	1,219,028
Transportation	1,342,125	432,856	-	-
Economic Development	17,382,672	10,644	7,456,394	2,929,806
Parks & Recreation	14,459,805	675,006	-	-
Health & Sanitation	11,520,083	35,252	47,754	79,709
Interest on long-term debt	4,167,338	-	-	-
Total governmental activities	300,967,189	11,799,383	31,503,956	7,650,544
Business-type activities:				
Metro Parking	4,347,625	4,123,467	-	45,272
Public Assembly Facilities	9,797,553	5,057,211	-	436,408
Knoxville Convention Center	22,700,754	7,448,653	1,500,000	-
Municipal Golf Courses	1,824,522	1,670,969	-	-
Total business-type activities	38,670,454	18,300,300	1,500,000	481,680
Total primary government	\$ 339,637,643	\$ 30,099,683	\$ 33,003,956	\$ 8,132,224
Combined discretely presented component units	\$ 1,001,617,788	\$ 1,027,019,006	\$ 3,902,528	\$ 31,665,322

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
 Transfer of assets to the FAA
 Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Combined	Total	
Governmental Activities	Business-type Activities	Total	Discretely Presented Component Units	Reporting Unit	
\$ (36,853,084)	\$ -	\$ (36,853,084)	\$ -	\$ (36,853,084)	
(118,406,441)	-	(118,406,441)	-	(118,406,441)	
(57,549,179)	-	(57,549,179)	-	(57,549,179)	
(909,269)	-	(909,269)	-	(909,269)	
(6,985,828)	-	(6,985,828)	-	(6,985,828)	
(13,784,799)	-	(13,784,799)	-	(13,784,799)	
(11,357,368)	-	(11,357,368)	-	(11,357,368)	
(4,167,338)	-	(4,167,338)	-	(4,167,338)	
(250,013,306)	-	(250,013,306)	-	(250,013,306)	
-	(178,886)	(178,886)	-	(178,886)	
-	(4,303,934)	(4,303,934)	-	(4,303,934)	
-	(13,752,101)	(13,752,101)	-	(13,752,101)	
-	(153,553)	(153,553)	-	(153,553)	
-	(18,388,474)	(18,388,474)	-	(18,388,474)	
(250,013,306)	(18,388,474)	(268,401,780)	-	(268,401,780)	
-	-	-	60,969,068	60,969,068	
189,997,267	-	189,997,267	-	189,997,267	
97,185,542	5,017,860	102,203,402	-	102,203,402	
-	2,602,832	2,602,832	-	2,602,832	
381,820	7,786,909	8,168,729	-	8,168,729	
2,053,047	-	2,053,047	-	2,053,047	
16,148,888	-	16,148,888	-	16,148,888	
11,246,881	-	11,246,881	-	11,246,881	
1,411,242	-	1,411,242	-	1,411,242	
8,281,836	758,526	9,040,362	7,766,688	16,807,050	
22,126,836	2,961,087	25,087,923	9,935,493	35,023,416	
732,462	-	732,462	-	732,462	
(18,404,265)	8,343,042	(10,061,223)	10,061,223	-	
-	-	-	(10,634,317)	(10,634,317)	
331,161,556	27,470,256	358,631,812	17,129,087	375,760,899	
81,148,250	9,081,782	90,230,032	78,098,155	168,328,187	
664,720,411	140,919,524	805,639,935	1,755,762,368	2,561,402,303	
\$ 745,868,661	\$ 150,001,306	\$ 895,869,967	\$ 1,833,860,523	\$ 2,729,730,490	

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

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

				Special Revenue Fund		
				Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects			
Assets						
Cash and cash equivalents	\$ 1,682,476	\$ 100	\$ 3,877,201	\$ 358,471	\$ 3,858,745	\$ 9,776,993
Investments	154,667,511	57,721,698	112,937,532	1,532,065	27,418,754	354,277,560
Accounts receivable	1,911,485	95,411	3,258,038	184,661	2,715,655	8,165,250
Taxes receivable	174,178,650	12,391,620	-	-	-	186,570,270
Notes receivable	13,680,886	-	7,000,000	9,981,419	1,124,441	31,786,746
Due from other funds	4,732,257	-	8,456,896	1,539,097	7,053,644	21,781,894
Due from component unit	-	-	1,611,404	-	12,362,004	13,973,408
Due from governmental agencies	-	-	-	47,184	355,498	402,682
Inventories	556,198	-	15,500	-	366,851	938,549
Total assets	<u>\$ 351,409,463</u>	<u>\$ 70,208,829</u>	<u>\$ 137,156,571</u>	<u>\$ 13,642,897</u>	<u>\$ 55,255,592</u>	<u>\$ 627,673,352</u>
Liabilities						
Accounts payable	4,392,529	\$ -	\$ 8,668,921	\$ 94,599	\$ 3,303,032	\$ 16,459,081
Accrued liabilities	2,822,601	-	2,576,170	3,304	130,858	5,532,933
Customer deposits	-	-	-	-	774,132	774,132
Due to other funds	25,412,224	1,022,827	-	136,318	1,280,804	27,852,173
Due to component unit	3,717,424	-	-	-	823,396	4,540,820
Due to fiduciary funds	-	-	-	-	-	-
Due to other governmental agencies	2,400	2,586	-	-	25,059	30,045
Total liabilities	<u>36,347,178</u>	<u>1,025,413</u>	<u>11,245,091</u>	<u>234,221</u>	<u>6,337,281</u>	<u>55,189,184</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	171,417,804	12,277,961	-	-	-	183,695,765
Unavailable revenue - other	-	-	1,131,562	11,618,560	1,173,341	13,923,463
Total deferred inflows of resources	<u>171,417,804</u>	<u>12,277,961</u>	<u>1,131,562</u>	<u>11,618,560</u>	<u>1,173,341</u>	<u>197,619,228</u>
Fund Balances						
Non-spendable	556,198	-	15,500	-	1,003,674	1,575,372
Restricted	1,597,906	-	-	1,790,116	14,798,927	18,186,949
Committed	68,444,561	56,905,455	124,764,418	-	27,461,680	277,576,114
Assigned	26,208,418	-	-	-	4,480,689	30,689,107
Unassigned	46,837,398	-	-	-	-	46,837,398
Total fund balances	<u>143,644,481</u>	<u>56,905,455</u>	<u>124,779,918</u>	<u>1,790,116</u>	<u>47,744,970</u>	<u>374,864,940</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 351,409,463</u>	<u>\$ 70,208,829</u>	<u>\$ 137,156,571</u>	<u>\$ 13,642,897</u>	<u>\$ 55,255,592</u>	<u>\$ 627,673,352</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, 2023**

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

Fund balance - governmental funds	\$374,864,940
Capital assets, right-of-use leased assets, and right-of-use subscription assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.	485,217,713
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.	5,097,126
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.	184,625,250
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.	(1,387,827)
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Net pension liability	(284,101,840)
Other postemployment benefits obligation	(16,651,976)
Deferred outflows of resources related to pensions	129,645,866
Deferred outflows of resources related to other postemployment benefits	4,638,613
Deferred inflows of resources related to pensions	(2,282,935)
Deferred inflows of resources related to other postemployment benefits	(2,753,824)
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	(97,340,000)
Lease liability	(2,457,292)
Subscription liability	(1,627,882)
Discounts and premiums (net)	(16,902,586)
Deferred inflows of resources related to refunding gain	(1,206,978)
Compensated absences	(11,507,707)
Net position - governmental activities	<u>\$ 745,868,661</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, 2023

				<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Miscellaneous Community Development Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes, assessments, interest & penalties	\$ 269,041,158	\$ 12,083,884	\$ -	\$ -	\$ 6,626,201	\$ 287,751,243
Licenses, permits & inspection charges	313,462	-	-	-	3,272,852	3,586,314
Intergovernmental	30,607,439	-	3,696,002	1,739,845	27,121,044	63,164,330
Charge for services	2,138,874	-	-	1,440,103	3,560,137	7,139,114
Fines & forfeitures	769,519	-	-	-	2,194,919	2,964,438
Other	5,366,739	2,320,394	10,379,448	104,046	6,502,167	24,672,794
Total revenues	<u>308,237,191</u>	<u>14,404,278</u>	<u>14,075,450</u>	<u>3,283,994</u>	<u>49,277,320</u>	<u>389,278,233</u>
Expenditures:						
Current:						
Administration	8,990,823	-	-	-	2,549,814	11,540,637
Finance	4,655,131	-	-	-	323,327	4,978,458
Information Systems	4,988,994	-	-	-	-	4,988,994
Community Development	6,662,835	-	-	2,877,928	3,629,829	13,170,592
Waterfront	374,746	-	-	-	-	374,746
Parks & Recreation	9,288,862	-	-	-	26,363	9,315,225
Mass Transit	1,342,125	-	-	-	-	1,342,125
Engineering	8,070,580	-	-	-	8,815,625	16,886,205
Public Services	28,831,678	-	-	-	14,505,811	43,337,489
Law	2,837,145	-	-	-	1,058,991	3,896,136
Police	66,273,914	-	-	-	2,957,132	69,231,046
Emergency Management	784,135	-	-	-	61,073	845,208
Fire	49,442,134	-	-	-	274	49,442,408
Codes enforcement	839,904	-	-	-	-	839,904
Legislative	1,066,586	-	-	-	2,300	1,068,886
Civil Service	1,680,109	-	-	-	-	1,680,109
City Elections	-	-	-	-	-	-
Knoxville Partnership	22,500	-	-	-	-	22,500
Metropolitan Planning Commission	1,334,900	-	-	-	-	1,334,900
Knoxville Zoological Park	1,567,190	-	-	-	-	1,567,190
Community Agency Grants	1,262,500	-	-	-	-	1,262,500
Community Action Committee	1,096,240	-	-	-	-	1,096,240
Tax Increment Payments	3,710,423	-	-	-	-	3,710,423
Other general government	19,786,000	-	-	-	-	19,786,000
Capital & grant projects	2,484,061	-	57,046,511	-	-	59,530,572
Debt service, leases and SBITA:						
Principal retirement	1,145,092	7,575,000	-	-	-	8,720,092
Interest payments	86,104	4,137,035	-	-	-	4,223,139
Total expenditures	<u>228,624,711</u>	<u>11,712,035</u>	<u>57,046,511</u>	<u>2,877,928</u>	<u>33,930,539</u>	<u>334,191,724</u>
Excess (deficiency) of revenues over (under) expenditures	79,612,480	2,692,243	(42,971,061)	406,066	15,346,781	55,086,509
Other financing sources (uses)						
SBITA proceeds	2,484,061	-	-	-	-	2,484,061
Transfers in	1,073,818	1,480,990	49,975,311	-	12,625,113	65,155,232
Transfers out	(54,144,364)	(11,237,300)	(137,036)	-	(20,094,290)	(85,612,990)
Total other financing sources (uses)	<u>(50,586,485)</u>	<u>(9,756,310)</u>	<u>49,838,275</u>	<u>-</u>	<u>(7,469,177)</u>	<u>(17,973,697)</u>
Net change in fund balances	29,025,995	(7,064,067)	6,867,214	406,066	7,877,604	37,112,812
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 143,644,481</u>	<u>\$ 56,905,455</u>	<u>\$ 124,779,918</u>	<u>\$ 1,790,116</u>	<u>\$ 47,744,970</u>	<u>\$ 374,864,940</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, 2023**

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

Net change in fund balances - total governmental funds	\$ 37,112,812
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 (\$57,052,683) exceeds depreciation expenses (\$21,502,613).	35,550,070
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	839,317
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	6,666,790
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.	(53,924)
Pension expense not reported in the funds	(10,666,879)
Other postemployment benefit expense not reported in the funds	(544,178)
The internal service fund is used by management to charge the costs of fleet maintenance.	7,885,945
The internal service fund is used by management to charge the costs of risk management.	1,835,288
The internal service fund is used by management to charge the costs of employee health insurance.	(454,097)
The internal service fund is used by management to charge the costs of equipment replacement.	2,353,772
The internal service fund is used by management to charge the costs of City buildings.	<u>623,334</u>
Change in net position - governmental activities	<u>\$ 81,148,250</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, 2023

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	144,092,080	144,092,080	146,803,513	\$ -	\$ 146,803,513	\$ 2,711,433
Prior years	5,050,790	5,050,790	6,292,154	-	6,292,154	1,241,364
Business taxes	7,630,500	7,630,500	11,240,950	-	11,240,950	3,610,450
Local shared sales tax	51,495,010	51,495,010	63,056,289	-	63,056,289	11,561,279
Alcoholic beverage taxes	13,350,000	13,350,000	16,148,888	-	16,148,888	2,798,888
Payments in lieu of taxes	24,281,290	24,281,290	24,088,122	-	24,088,122	(193,168)
Franchise fees	1,600,000	1,600,000	1,411,242	-	1,411,242	(188,758)
Intergovernmental -						
Federal	850,000	850,000	994,863	-	994,863	144,863
State -						
Sales tax	20,472,110	20,472,110	23,140,617	-	23,140,617	2,668,507
Income tax	-	-	18,597	-	18,597	18,597
Other	3,693,000	3,693,000	5,960,905	-	5,960,905	2,267,905
Local	590,380	590,380	492,457	-	492,457	(97,923)
Licenses and permits	326,800	326,800	313,462	-	313,462	(13,338)
Fines & forfeits	547,100	547,100	769,519	-	769,519	222,419
Charges for services	1,569,810	1,569,810	2,138,874	-	2,138,874	569,064
Other -						
Interest	351,000	351,000	3,926,956	-	3,926,956	3,575,956
Rents & concessions	89,820	89,820	123,025	-	123,025	33,205
Miscellaneous	534,500	520,500	1,316,758	-	1,316,758	796,258
Total revenues	<u>276,524,190</u>	<u>276,510,190</u>	<u>308,237,191</u>	<u>-</u>	<u>308,237,191</u>	<u>31,727,001</u>
Expenditures						
Current -						
Administration	9,705,080	10,091,780	8,990,823	124,077	9,114,900	976,880
Finance	5,786,950	5,447,100	4,655,131	40,527	4,695,658	751,442
Information systems	5,565,990	5,356,950	4,988,994	79,856	5,068,850	288,100
Community development	5,493,030	5,550,040	6,662,835	5,090,338	11,753,173	(6,203,133)
Waterfront	444,560	459,255	374,746	-	374,746	84,509
Parks & recreation	9,221,470	9,157,520	9,288,862	(86,287)	9,202,575	(45,055)
Mass transit	1,160,000	1,342,125	1,342,125	-	1,342,125	-
Public services	30,616,960	30,600,405	28,831,678	35,578	28,867,256	1,733,149
Engineering	8,811,930	8,618,980	8,070,580	195,438	8,266,018	352,962
Law	2,581,530	2,830,830	2,837,145	15,259	2,852,404	(21,574)
Police	69,997,920	66,531,893	66,273,914	575,190	66,849,104	(317,211)
Emergency management	791,410	791,330	784,135	280	784,415	6,915
Fire	49,319,610	49,313,190	49,442,134	118,006	49,560,140	(246,950)
Codes enforcement	935,970	933,390	839,904	74	839,978	93,412
Legislative	1,174,730	1,164,630	1,066,586	19,393	1,085,979	78,651
Civil service	1,766,650	1,907,790	1,680,109	-	1,680,109	227,681
Nondepartmental -						
City elections	500,000	48,610	-	167	167	48,443
Knoxville partnership	-	-	22,500	-	22,500	(22,500)
Metropolitan planning commission	1,342,900	1,342,900	1,334,900	-	1,334,900	8,000
Knoxville zoological gardens	1,628,530	1,567,190	1,567,190	-	1,567,190	-
Community agency grants	1,512,500	1,512,500	1,262,500	-	1,262,500	250,000
Community action committee	1,022,640	1,096,240	1,096,240	-	1,096,240	-
Tax increment payments	4,519,000	3,710,440	3,710,423	-	3,710,423	17
Other general government	19,786,000	19,786,000	19,786,000	-	19,786,000	-
Capital and grant projects	-	2,484,061	2,484,061	-	2,484,061	-
Debt service						
Principal	-	1,145,110	1,145,092	-	1,145,092	18
Interest	-	86,110	86,104	-	86,104	6
Total expenditures	<u>233,685,360</u>	<u>232,876,369</u>	<u>228,624,711</u>	<u>6,207,896</u>	<u>234,832,607</u>	<u>(1,956,238)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,838,830</u>	<u>43,633,821</u>	<u>79,612,480</u>	<u>(6,207,896)</u>	<u>73,404,584</u>	<u>29,770,763</u>
Other Financing Sources (Uses)						
SBITA proceeds	-	-	2,484,061	-	2,484,061	2,484,061
Transfers in	17,286,460	16,672,350	1,073,818	-	1,073,818	(15,598,532)
Transfers out	(60,281,540)	(71,486,041)	(54,144,364)	-	(54,144,364)	17,341,677
Appropriated fund balance	156,250	11,179,870	-	-	-	(11,179,870)
Total other financing sources (uses)	<u>(42,838,830)</u>	<u>(43,633,821)</u>	<u>(50,586,485)</u>	<u>-</u>	<u>(50,586,485)</u>	<u>(6,952,664)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>29,025,995</u>	<u>(6,207,896)</u>	<u>22,818,099</u>	<u>\$ 22,818,099</u>
Fund balance - beginning			<u>114,618,486</u>	<u>-</u>	<u>114,618,486</u>	
Fund balance - ending			<u>\$ 143,644,481</u>	<u>\$ (6,207,896)</u>	<u>\$ 137,436,585</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, 2023

	Budget			Variance
	Original	Final	Actual	With Final Budget
Revenues				
Intergovernmental	\$ 1,289,880	\$ 1,289,880	\$ 1,739,845	\$ 449,965
Charges for services	500,000	500,000	1,440,103	940,103
Other	-	-	104,046	104,046
Total revenues	<u>1,789,880</u>	<u>1,789,880</u>	<u>3,283,994</u>	<u>1,494,114</u>
Expenditures				
Current:				
Community Development	<u>1,789,880</u>	<u>2,878,880</u>	<u>2,877,928</u>	<u>952</u>
Total expenditures	<u>1,789,880</u>	<u>2,878,880</u>	<u>2,877,928</u>	<u>952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,089,000)</u>	<u>406,066</u>	<u>1,495,066</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>1,089,000</u>	<u>-</u>	<u>(1,089,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>406,066</u>	<u>\$ 406,066</u>
Fund balances - beginning			<u>1,384,050</u>	
Fund balances - ending			<u>\$ 1,790,116</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Assets				
Current assets:				
Cash & temporary investments	\$ 3,708,725	\$ 3,378,246	\$ 7,086,971	\$ 4,459,541
Investments	61,664,629	15,496,339	77,160,968	157,527,413
Accounts receivable	3,578,837	732,956	4,311,793	272,358
Due from other funds	1,284,828	7,598,939	8,883,767	1,978,891
Due from component unit	-	2,540,341	2,540,341	-
Due from fiduciary fund	-	-	-	-
Inventories	124,575	106,321	230,896	1,729,500
Prepaid items	22,295	78,198	100,493	-
Total current assets	70,383,889	29,931,340	100,315,229	165,967,703
Noncurrent assets:				
Land and site improvements	3,302,020	4,384,283	7,686,303	-
Buildings and improvements	161,431,779	72,827,635	234,259,414	257,391
Equipment, furniture and fixtures	6,383,755	5,592,470	11,976,225	123,242,908
Infrastructure and site improvements	30,605,945	1,203,087	31,809,032	-
Construction in progress	-	143,442	143,442	629,944
Less: accumulated depreciation	(103,503,796)	(49,551,980)	(153,055,776)	(79,022,281)
Total capital assets (net of accumulated depreciation):	98,219,703	34,598,937	132,818,640	45,107,962
Equity interest in joint venture	257,580	-	257,580	1,556,082
Total noncurrent assets	98,477,283	34,598,937	133,076,220	46,664,044
Total assets	168,861,172	64,530,277	233,391,449	212,631,747
Deferred outflows of resources				
Pensions	-	-	-	2,889,266
Total deferred outflows of resources	-	-	-	2,889,266
Liabilities				
Current liabilities:				
Accounts payable	2,101,332	855,262	2,956,594	3,774,931
Accrued liabilities	398,338	2,493,026	2,891,364	258,252
Customer deposits	267,774	-	267,774	-
Unearned revenue	16,423	452,328	468,751	-
Due to other funds	3,883,034	879,089	4,762,123	30,256
Compensated absences	-	-	-	-
Long-term debt due within one year	6,327,646	-	6,327,646	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	12,994,547	4,679,705	17,674,252	9,163,439
Noncurrent liabilities:				
Long-term debt due in more than one year	65,584,978	-	65,584,978	-
Estimated claims liability	-	-	-	15,350,000
Net pension liability	-	-	-	6,331,447
Total noncurrent liabilities	65,584,978	-	65,584,978	21,681,447
Total liabilities	78,579,525	4,679,705	83,259,230	30,844,886
Deferred inflows of resources				
Pensions	-	-	-	50,877
Bond refunding gain	130,913	-	130,913	-
Total deferred inflows of resources	130,913	-	130,913	50,877
NET POSITION				
Net investment in capital assets	26,307,079	34,598,937	60,906,016	45,107,962
Unrestricted	63,843,655	25,251,635	89,095,290	139,517,288
Total net position	\$ 90,150,734	\$ 59,850,572	\$ 150,001,306	\$ 184,625,250

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, 2023

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating revenues				
Charges for services	\$ 7,448,653	\$ 10,851,647	\$ 18,300,300	\$ 57,736,168
Total operating revenues	<u>7,448,653</u>	<u>10,851,647</u>	<u>18,300,300</u>	<u>57,736,168</u>
Operating expenses				
Personal services	-	232,236	232,236	5,106,329
Materials & supplies	163,668	116,570	280,238	5,594,890
Depreciation & amortization	4,749,573	2,654,086	7,403,659	10,483,939
Other operating expenses	15,202,904	12,966,808	28,169,712	36,177,112
Total operating expenses	<u>20,116,145</u>	<u>15,969,700</u>	<u>36,085,845</u>	<u>57,362,270</u>
Operating income (loss)	<u>(12,667,492)</u>	<u>(5,118,053)</u>	<u>(17,785,545)</u>	<u>373,898</u>
Nonoperating revenues (expense)				
Interest income	2,412,605	548,482	2,961,087	5,411,349
Intergovernmental revenue	16,907,601	-	16,907,601	-
Other revenues (expenses)	68,512	690,014	758,526	2,634,561
Interest expense	(2,584,609)	-	(2,584,609)	-
Total nonoperating revenues (expenses)	<u>16,804,109</u>	<u>1,238,496</u>	<u>18,042,605</u>	<u>8,045,910</u>
Income (loss) before transfers and capital contributions	4,136,617	(3,879,557)	257,060	8,419,808
Transfers in	1,818,880	6,528,310	8,347,190	2,148,567
Transfers out	(4,148)	-	(4,148)	(95,074)
Capital contributions	<u>-</u>	<u>481,680</u>	<u>481,680</u>	<u>1,770,941</u>
Change in net position	5,951,349	3,130,433	9,081,782	12,244,242
Net position, beginning of year	<u>84,199,385</u>	<u>56,720,139</u>	<u>140,919,524</u>	<u>172,381,008</u>
Net position, end of year	<u>\$ 90,150,734</u>	<u>\$ 59,850,572</u>	<u>\$ 150,001,306</u>	<u>\$ 184,625,250</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, 2023

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating activities				
Cash received from customers and users	\$ 6,731,301	\$ 10,849,770	\$ 17,581,071	\$ -
Receipts from interfund services provided	-	-	-	57,779,125
Cash paid to suppliers	(14,746,299)	(11,386,894)	(26,133,193)	(14,644,227)
Cash paid to employees	-	(220,015)	(220,015)	(5,139,810)
Cash paid for interfund services used	-	-	-	(2,917,913)
Payments of claims and insurance	-	-	-	(22,956,460)
Net cash provided by (used in) operating activities	<u>(8,014,998)</u>	<u>(757,139)</u>	<u>(8,772,137)</u>	<u>12,120,715</u>
Noncapital financing activities				
Transfers from other funds	(3,296,015)	1,049,943	(2,246,072)	101,228
Transfers to other funds	(4,148)	(5,605,495)	(5,609,643)	-
Tax and intergovernmental revenues	<u>16,910,756</u>	<u>1,126,422</u>	<u>18,037,178</u>	<u>2,634,561</u>
Net cash provided by (used in) noncapital financing activities	<u>13,610,593</u>	<u>(3,429,130)</u>	<u>10,181,463</u>	<u>2,735,789</u>
Capital and related financing activities				
Net proceeds from bond issuance	60,065,000	-	60,065,000	-
Principal paid on bond refunding	(65,870,000)	-	(65,870,000)	-
Interest paid	(2,702,254)	-	(2,702,254)	-
Acquisition and construction of capital assets	(214,828)	(481,679)	(696,507)	(10,164,057)
Refunding gain	-	-	-	-
Capital contributions	<u>-</u>	<u>45,272</u>	<u>45,272</u>	<u>1,770,941</u>
Net cash used in capital and related financing activities	<u>(8,722,082)</u>	<u>(436,407)</u>	<u>(9,158,489)</u>	<u>(8,393,116)</u>
Investing activities				
Sales of investments	74,368	-	74,368	-
Purchases of investments	-	(1,445,115)	(1,445,115)	(12,232,070)
Investment earnings	2,412,605	548,482	2,961,087	5,411,349
Net change in equity investment in joint venture	<u>6,755</u>	<u>-</u>	<u>6,755</u>	<u>(39,075)</u>
Net cash provided by (used in) investing activities	<u>2,493,728</u>	<u>(896,633)</u>	<u>1,597,095</u>	<u>(6,859,796)</u>
Net decrease in cash and cash equivalents	<u>(632,759)</u>	<u>(5,519,309)</u>	<u>(6,152,068)</u>	<u>(396,408)</u>
Cash and cash equivalents				
Beginning of year	<u>4,341,484</u>	<u>8,897,555</u>	<u>13,239,039</u>	<u>4,855,949</u>
End of year	<u>\$ 3,708,725</u>	<u>\$ 3,378,246</u>	<u>\$ 7,086,971</u>	<u>\$ 4,459,541</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, 2023

	Enterprise Funds			Internal
	Knoxville Convention Center	Other Nonmajor Activities	Total	Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (12,667,492)	\$ (5,118,053)	\$ (17,785,545)	\$ 373,898
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,749,573	2,654,086	7,403,659	10,483,939
Pension expense (negative expense)	-	-	-	59,779
Change in assets and liabilities				
(Increase) decrease in receivables	(722,426)	(297,060)	(1,019,486)	42,957
(Increase) decrease in prepayments	17,232	23,266	40,498	-
(Increase) decrease in inventories	(12,015)	(85,241)	(97,256)	(43,895)
Increase (decrease) in accounts payable	586,983	(32,679)	554,304	1,318,718
Increase (decrease) in accrued expenses	28,073	1,809,789	1,837,862	(114,681)
Increase (decrease) in deferred revenue	(10,653)	288,753	278,100	-
Increase (decrease) in customer deposits	15,727	-	15,727	-
Total adjustments	<u>4,652,494</u>	<u>4,360,914</u>	<u>9,013,408</u>	<u>11,746,817</u>
Net cash provided by (used in) operating activities	<u>\$ (8,014,998)</u>	<u>\$ (757,139)</u>	<u>\$ (8,772,137)</u>	<u>\$ 12,120,715</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, 2023

	City Employees' Pension Trust Fund	Combined Custodial Funds
Assets		
Cash	\$ 1,774	\$ 925,406
Cash equivalents	8,189,707	-
United States government securities	79,899,861	-
State & municipal government securities	3,566,274	190,495
International securities	179,751,627	-
Domestic corporate bond & debentures	50,309,644	-
Real assets	117,199,944	-
Domestic equity securities	228,853,848	-
Pending sales proceeds	1,286,230	-
Other receivables	-	318,588
Accrued interest & dividends	1,457,017	-
Equipment, furniture & fixtures	38,168	-
Accumulated depreciation	(38,168)	-
Total assets	<u>\$ 670,515,926</u>	<u>\$ 1,434,489</u>
Liabilities		
Accounts payable	570,788	-
Investment purchases pending	1,844,465	-
Due to component unit	-	92,437
Total liabilities	<u>\$ 2,415,253</u>	<u>\$ 92,437</u>
Net Position Restricted for:		
Pension	668,100,673	-
Health care claims	-	1,342,052
Total net position	<u>\$ 668,100,673</u>	<u>\$ 1,342,052</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, 2023

	City Employees' Pension Trust Fund	Combined Custodial Funds
Additions		
Employee contributions	\$ 5,212,186	\$ -
Employer contributions	29,919,357	1,019,487
Total contributions	<u>35,131,543</u>	<u>1,019,487</u>
Investment earnings:		
Interest and dividends	9,359,919	-
Net (depreciation) appreciation in the fair value of investments	41,616,737	-
Other income	72,620	-
Total investment earnings (loss)	<u>51,049,276</u>	<u>-</u>
Less investment expense	<u>(4,132,344)</u>	<u>-</u>
Net investment earnings (loss)	<u>46,916,932</u>	<u>-</u>
Total additions (net)	<u>82,048,475</u>	<u>1,019,487</u>
Deductions		
Benefits paid	54,682,378	1,122,899
Refunds	833,677	-
Administration expenses	810,106	-
Total deductions	<u>56,326,161</u>	<u>1,122,899</u>
Change in net position	25,722,314	(103,412)
Total net position - beginning	<u>642,378,359</u>	<u>1,445,464</u>
Total net position - ending	<u>\$ 668,100,673</u>	<u>\$ 1,342,052</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, 2023

	Component Units			
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Assets				
Cash and cash equivalents	\$ 152,766,323	\$ 37,027,203	\$ 2,556,118	\$ 192,349,644
Investments	112,932,233	21,168,308	1,941,819	136,042,360
Receivables (net of allowance for uncollectibles):				
Accounts	89,514,189	6,933,125	20,038,122	116,485,436
TVA conservation program	250,291	-	-	250,291
Other	224,641	1,225,616	-	1,450,257
Current portion of lease receivable	555,779	163,695	-	719,474
Inventories	27,830,020	-	1,927,597	29,757,617
Due from fiduciary fund	-	-	92,437	92,437
Prepaid items	10,803,894	9,499,052	-	20,302,946
Deferred charges	-	1,087,504	-	1,087,504
Restricted assets:				
Temporarily restricted:				
Bond funds	39,187,155	18,299,917	-	57,487,072
Unused bond proceeds	13	-	-	13
Receivables	-	807,721	-	807,721
Other	301,518	-	-	301,518
Net pension asset	-	-	-	-
Long-term lease receivable	3,815,799	8,457,800	-	12,273,599
Other assets	11,441,280	66,952	-	11,508,232
Capital assets:				
Land and site improvements	-	296,485,131	2,199,236	298,684,367
Buildings and improvements	-	185,713,466	35,105,334	220,818,800
Utility plant in service	3,268,468,254	-	-	3,268,468,254
Equipment, furniture and fixtures	-	45,214,442	56,595,261	101,809,703
Infrastructure and site improvements	-	-	557,914	557,914
Construction in progress	221,322,238	14,097,237	2,875,106	238,294,581
Intangible right of use asset	4,670,258	-	-	4,670,258
Intangible subscription asset	9,323,779	-	-	9,323,779
Less accumulated amortization	(3,394,948)	-	-	(3,394,948)
Less accumulated depreciation	(1,133,989,255)	(271,819,394)	(51,012,099)	(1,456,820,748)
Total assets	<u>2,816,023,461</u>	<u>374,427,775</u>	<u>72,876,845</u>	<u>3,263,328,081</u>
Deferred outflows of resources				
Pensions	48,544,818	-	-	48,544,818
OPEB	5,478,678	-	-	5,478,678
Unamortized bond refundings	13,720,819	-	-	13,720,819
Total deferred outflows of resources	<u>67,744,315</u>	<u>-</u>	<u>-</u>	<u>67,744,315</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, 2023

	Component Units			Total Component Units
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	
Liabilities				
Current portion of lease liability	830,979	-	-	830,979
Current portion of subscription liability	910,426			910,426
Accounts payable	95,132,075	3,957,455	291,589	99,381,119
Unearned revenue	84,112	34,500		118,612
Matured principal & interest on bonds	15,370,481	-	-	15,370,481
Accrued liabilities	22,273,997	1,893,035	570,911	24,737,943
Due to primary government	-	-	11,972,929	11,972,929
Customer deposits, plus accrued interest	24,344,078	-	-	24,344,078
Accrued interest	-	36,515	-	36,515
Noncurrent liabilities:				
Long-term debt due within one year	44,140,000	-	-	44,140,000
Long-term debt due in more than one year	1,055,370,000	17,650,000	-	1,073,020,000
Lease liability	2,696,599	-	-	2,696,599
Subscription liability	6,722,232			6,722,232
Other liabilities	30,157,652	-	-	30,157,652
Unamortized premiums/discounts	111,787,156	-	-	111,787,156
Net pension liability	22,219,032	-	-	22,219,032
Net OPEB liability	12,930,655	-	-	12,930,655
Total liabilities	<u>1,444,969,474</u>	<u>23,571,505</u>	<u>12,835,429</u>	<u>1,481,376,408</u>
Deferred inflows of resources				
Pensions	214,234	-	-	214,234
Unamortized bond refunding costs	1,539,009			1,539,009
Lease inflow	4,185,227	8,435,559	-	12,620,786
Deferred revenue	-	-	1,461,436	1,461,436
Total deferred inflows of resources	<u>5,938,470</u>	<u>8,435,559</u>	<u>1,461,436</u>	<u>15,835,465</u>
Net position				
Net investment in capital assets	1,154,844,526	251,080,250	46,320,752	1,452,245,528
Restricted for:				
Debt service	23,816,674	-	-	23,816,674
Other	1,518	19,107,638	-	19,109,156
Unrestricted	254,197,114	72,232,823	12,259,228	338,689,165
Total net position	<u>\$ 1,432,859,832</u>	<u>\$ 342,420,711</u>	<u>\$ 58,579,980</u>	<u>\$ 1,833,860,523</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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		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	\$ 916,876,313	\$ 972,518,687	\$ -	\$ 4,325,428	\$ 59,967,802	\$ -	\$ -	\$ 59,967,802
Metropolitan Knoxville Airport Authority	47,700,078	47,469,029	-	11,388,919	-	11,157,870	-	11,157,870
Knoxville Area Transit	37,041,397	7,031,290	3,902,528	15,950,975	-	-	(10,156,604)	(10,156,604)
Total component units	<u>\$1,001,617,788</u>	<u>\$1,027,019,006</u>	<u>\$ 3,902,528</u>	<u>\$ 31,665,322</u>	<u>\$ 59,967,802</u>	<u>\$ 11,157,870</u>	<u>\$ (10,156,604)</u>	<u>\$ 60,969,068</u>
General revenues:								
Intergovernmental revenue, unrestricted					-	-	-	-
Other unrestricted revenue (expense)					442,203	9,236,796	(1,912,311)	7,766,688
Unrestricted investment earnings					9,122,264	813,229	-	9,935,493
Transfers					-	-	10,061,223	10,061,223
Transfers of assets to the FAA					-	(10,634,317)	-	(10,634,317)
Total general revenues and transfers					<u>9,564,467</u>	<u>(584,292)</u>	<u>8,148,912</u>	<u>17,129,087</u>
Change in net position					69,532,269	10,573,578	(2,007,692)	78,098,155
Net position - beginning					<u>1,363,327,563</u>	<u>331,847,133</u>	<u>60,587,672</u>	<u>1,755,762,368</u>
Net position - ending					<u>\$1,432,859,832</u>	<u>\$ 342,420,711</u>	<u>\$ 58,579,980</u>	<u>\$ 1,833,860,523</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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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. Prepaid items are recorded as expenditures/expenses at the time the items are consumed (consumption method).

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, infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), and intangible capital assets 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 \$2,584,609.

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, 2023

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, 2023

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, 2023

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.

Subscription-Based Information Technology Arrangements – The City determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term may include renewal or extension options to the extent they are reasonably certain to be exercised. The City uses its estimated incremental borrowing rate as the discount rate for subscriptions.

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

During fiscal year 2023, The City adopted GASB No. 96, *Subscription-Based Information Technology Arrangements*, using a full-retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, the City recorded total subscription assets of \$2,484,061 and recognized total subscription liabilities of \$2,484,061. This standard had no effect on beginning net position.

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2023, the City met the minimum general fund balance policy. See Note 12.

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on City's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on City's financial statements.

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. The City has not elected early implementation of this standard and has not completed the process of evaluating the impact of this statement on its financial statements.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023. The City has not elected early implementation of this standard and has not completed the process of evaluating the impact of this statement on its financial statements.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The City has not elected early implementation of this standard and has not completed the process of evaluating the impact of this statement on its 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 28 and 30, respectively.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 2023.

General Fund	\$11,252,300
Special Revenue Funds	43,664,140
Enterprise Funds	710,180
Internal Service Funds	817,030

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.

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

CITY OF KNOXVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<i>Enterprise Funds</i>						
Knoxville Convention Center	\$ 23,658,650	\$28,656,251	\$ 4,997,601	\$23,658,650	\$22,704,902	\$ 953,748
Metro Parking	5,354,080	5,149,705	(204,375)	\$ 5,354,080	4,347,625	1,006,455
Public Assembly Facilities	11,366,880	11,627,065	260,185	\$11,366,880	9,797,553	1,569,327
City Golf Courses	1,827,340	2,323,363	496,023	\$ 1,827,340	1,824,522	2,818
<i>Knoxville Area Transit</i> (Component Unit)	31,314,980	36,960,293	5,645,313	31,314,980	38,967,985	(7,653,005)
<i>Internal Service Funds</i>						
Fleet Maintenance	18,188,550	25,769,330	7,580,780	18,188,550	17,883,385	305,165
Risk Management	8,422,060	9,631,705	1,209,645	8,422,060	7,796,417	625,643
Employee Health Insurance	22,200,430	23,733,580	1,533,150	22,200,430	24,187,677	(1,987,247)
Equipment Replacement	3,943,830	5,861,838	1,918,008	3,943,830	3,508,066	435,764
City Buildings	4,616,720	4,766,634	149,914	4,616,720	4,143,300	473,420

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, 2023

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, 2023, 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, 2023, the City held securities in various municipal bonds of \$21 million or approximately 4% 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.

As of June 30, 2023, 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)	\$ 20,876,750	\$ 13,298,070	\$ 5,743,640	\$ 1,835,040	\$ -
U.S. Treasuries	3,337,880	1,924,220	1,413,660	-	-
Federal Farm Credit Bureau (FFCB)	-	-	-	-	-
Federal Home Loan Mortgage Corporation (FHLMC)	4,968,660	-	-	4,968,660	-
Other Governmental Bonds	23,276,007	10,105,636	9,309,082	3,861,289	-
Certificates of Deposit	6,341,529	2,954,447	2,186,477	1,200,605	-
Tennessee Local Government Investment Pool	530,165,115	530,165,115	-	-	-
	<u>\$ 588,965,941</u>	<u>\$ 558,447,488</u>	<u>\$ 18,652,859</u>	<u>\$ 11,865,594</u>	<u>\$ -</u>
Fiduciary Activities:					
Tennessee Local Government Investment Pool	\$ 190,495	\$ 190,495	\$ -	\$ -	\$ -

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".

CITY OF KNOXVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

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	\$ 156,523,406	\$ 55,327,120	\$ 2,556,118	\$ 1,774
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	\$ 152,766,323	\$ 55,327,120	\$ 2,556,118	\$ 1,774
Certificates of deposit	3,757,083	-	-	-
Total deposits - carrying value	<u>\$ 156,523,406</u>	<u>\$ 55,327,120</u>	<u>\$ 2,556,118</u>	<u>\$ 1,774</u>

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund	Total Amount	Fair Value
Investments:						
Cash equivalents	\$ -	\$ -	\$ -	\$ 8,189,707	\$ 8,189,707	\$ 8,189,707
United States government securities	128,316,742	21,168,308	-	79,899,861	229,384,911	229,384,911
Domestic equity securities	-	-	-	228,853,848	228,853,848	228,853,848
Domestic corporate bonds	-	-	-	50,309,644	50,309,644	50,309,644
State and municipal government securities	-	-	-	3,566,274	3,566,274	3,566,274
Real assets	-	-	-	117,199,944	117,199,944	117,199,944
Alternative assets	-	-	-	-	-	-
International securities	-	-	-	179,751,627	179,751,627	179,751,627
Total classified investments	128,316,742	21,168,308	-	667,770,905	817,255,955	817,255,955
Investments not categorized:						
Investments in state treasurer's investment pool	23,862,746	-	1,941,819	-	25,804,565	25,804,565
Total investments	<u>\$ 152,179,488</u>	<u>\$ 21,168,308</u>	<u>\$ 1,941,819</u>	<u>\$ 667,770,905</u>	<u>\$ 843,060,520</u>	<u>\$ 843,060,520</u>
Total deposits and investments	<u>\$ 304,945,811</u>	<u>\$ 76,495,428</u>	<u>\$ 4,497,937</u>	<u>\$ 667,772,679</u>		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	\$ 152,766,323	\$ 37,027,203	\$ 2,556,118	\$ 1,774
Investments	112,932,233	21,168,308	1,941,819	667,770,905
Unused bond proceeds	13	18,299,917	-	-
Bond funds	39,187,155	-	-	-
Student internet special fund	300,000	-	-	-
Other temporarily restricted assets	1,518	-	-	-
	305,187,242	76,495,428	4,497,937	667,772,679
Less accrued interest	(241,431)	-	-	-
Total deposits and investments	<u>\$ 304,945,811</u>	<u>\$ 76,495,428</u>	<u>\$ 4,497,937</u>	<u>\$ 667,772,679</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

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.

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023:

		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)
	June 30, 2023			
Primary Government:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Government Agencies	\$ 29,183,290	\$ 29,183,290	\$ -	\$ -
State and Municipal Bonds	23,276,007	2,050,154	21,225,853	-
Certificates of Deposit	6,341,529	6,341,529	-	-
	<u>\$ 58,800,826</u>	<u>\$ 37,574,973</u>	<u>\$ 21,225,853</u>	<u>\$ -</u>

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

		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)	
	June 30, 2023				
Fiduciary Activities:					
Investments by Fair Value Level					
Debt Securities:					
U.S. Treasury Securities	\$ 38,344,266	\$ 38,344,266	\$ -	\$ -	
U.S. Government Backed Securities	2,442,210	2,442,210	-	-	
Commercial Mortgage-Backed Securities	4,311,067	-	4,311,067	-	
Asset Backed Securities	5,700,793	-	5,700,793	-	
Residential Mortgage-Backed Securities	18,315,881	-	18,315,881	-	
Corporate Bonds	46,617,481	46,617,481	-	-	
Municipal Bonds	3,599,141	3,599,141	-	-	
TIPS	22,136,571	22,136,571	-	-	
Total Debt Securities	141,467,410	113,139,669	28,327,741	-	
Equity Securities:					
Consumer Discretionary	12,424,136	12,424,136	-	-	
Consumer Staples	622,969	622,969	-	-	
Energy	6,002,486	6,002,486	-	-	
Financials	12,124,411	12,124,411	-	-	
Healthcare	6,391,160	6,391,160	-	-	
Industrials	13,961,083	13,961,083	-	-	
Information Technology	11,649,306	11,649,306	-	-	
Materials	947,077	947,077	-	-	
Reit Financials	1,542,161	1,542,161	-	-	
Telecommunications Services	18,579,399	18,579,399	-	-	
Utilities	293,905	293,905	-	-	
Mutual Funds:					
Infrastructure	8,119,688	8,119,688	-	-	
Large Cap Growth	52,794,430	52,794,430	-	-	
Total Equity Securities	\$ 145,452,211	\$ 145,452,211	\$ -	\$ -	

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

	June 30, 2023	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	\$ 5,575,465	\$ -	\$ -	\$ 5,575,465
Diversified	36,558,596	-	-	36,558,596
Energy	2,892,541	-	-	2,892,541
International	6,960,421	-	-	6,960,421
Secondary Markets	15,627,415	-	-	15,627,415
Venture Capital	5,393,459	-	-	5,393,459
Total Private Equity	\$ 73,007,897	\$ -	\$ -	\$ 73,007,897
Total Investments by fair value level	\$ 359,927,518	\$ 258,591,880	\$ 28,327,741	\$ 73,007,897
Investments measured at the net asset value (NAV)				
Global Low Volatility	32,541,628			
Real Estate Funds	72,504,738			
Infrastructure	33,973,003			
International Equities	102,206,785			
Defensive Equity	30,958,356			
International - Emerging Market Debt	28,084,234			
Total investment measured at the NAV	300,268,744			
Total investments measured at fair value	660,196,262			
Cash held by money managers	8,473,425			
Total Investment Assets	\$ 668,669,687	(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, 2023

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, 2023:

Redemption Periods and Unfunded Commitments as of June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	\$ 33,973,003	\$ -	Quarterly*	45 - 90 days
Real Estate Funds	72,504,738	-	Quarterly, Daily	45 days, 1 day
International Equities	102,206,785	-	Monthly	10 - 30 days
Defensive Equity	30,958,356	-	Monthly	5 days
International - Emerging Market Debt	28,084,234	-	Monthly	3 days
Global Low Volatility	32,541,628	-	Daily	1 day
Total investment measured at the NAV	<u>\$ 300,268,744</u>	<u>\$ -</u>		
Private Equity:				
Debt	\$ 5,575,465	\$ 3,225,000		
Diversified	36,558,596	9,403,120		
Energy	2,892,541	1,297,653		
International	6,960,421	657,694		
Secondary Markets	15,627,415	7,150,000		
Venture Capital	5,393,459	3,257,257		
Total Private Equity	<u>\$ 73,007,897</u>	<u>\$ 24,990,724</u>		

* The quarterly liquidity begins after a lock up period of four years for one of the infrastructure managers which expires February 28, 2024

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, 2023

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 7.26% and -7.72% for the fiscal years ended 2023 and 2022, 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, 2023**

NOTE 6 - RECEIVABLES

Receivables at June 30, 2023, including the applicable allowance for uncollectible accounts, consisted of the following:

	Intergovern- mental	Interest and Dividends	Grants	Customers	Other	Allowance for Doubtful Accounts	Total
General fund	\$ 1,715,737	\$ 152,621	\$ 84,673	\$ -	\$ -	\$ (41,546)	\$ 1,911,485
Debt service fund	-	95,411	-	-	-	-	95,411
Capital projects fund	26,753	106,166	3,238,545	-	-	(113,426)	3,258,038
Special revenue funds:							
Miscellaneous community development funds		-	184,661	-	-	-	184,661
Other governmental funds	1,132,948	-	1,543,253	-	39,454	-	2,715,655
Knoxville Convention Center	1,888,893	58,869	-	-	1,631,075	-	3,578,837
Other enterprise funds	-	-	6,711	151,143	575,102	-	732,956
Internal service funds	3,623	98,672	-	170,063	-	-	272,358
Total primary government	4,767,954	511,739	5,057,843	321,206	2,245,631	(154,972)	12,749,401
Component units:							
Knoxville Utilities Board	250,291	224,641	-	77,337,518	12,937,057	(760,386)	89,989,121
Metropolitan Knoxville Airport Authority	-	45,705	5,535,738	2,205,108	1,179,911	-	8,966,462
Knoxville Area Transit	3,609,300	-	16,428,822	-	-	-	20,038,122
Total reporting entity	<u>\$ 8,627,545</u>	<u>\$ 782,085</u>	<u>\$ 27,022,403</u>	<u>\$ 79,863,832</u>	<u>\$ 16,362,599</u>	<u>\$ (915,358)</u>	<u>\$ 131,743,106</u>
Fiduciary Activities:							
City Employees' Pension Trust Fund	\$ -	\$ 1,457,017	\$ -	\$ -	\$ -	\$ -	\$ 1,457,017
Combined Agency Funds	-	-	-	-	318,588	-	318,588
Total fiduciary activities	<u>\$ -</u>	<u>\$ 1,457,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,588</u>	<u>\$ -</u>	<u>\$ 1,775,605</u>

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following:

Governmental Funds:

Notes Receivable

General Fund	\$ 13,680,886
Capital Projects Fund	7,000,000
Special Revenue Fund - Miscellaneous Community Development Funds	9,981,419
Other Governmental Funds - Community Development Block Grant Funds	<u>1,124,441</u>
Total Notes Receivable	<u>\$ 31,786,746</u>

The \$9,981,419 due to the Miscellaneous to Community Development Funds and the \$1,124,441 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 \$11,105,860 is included in deferred inflows of resources.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 \$631,140 in 2023 and \$451,074 in 2022. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$153,241 in 2023 and \$127,593 in 2022. Total lease receivables were \$4,371,578 (\$555,779 current) and \$4,489,301 (\$516,649 current) as of June 30, 2023, and 2022, 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, 2023, the Authority recognized the following related to its lessor agreements:

Lease revenue	\$ 298,283
Interest income related to its leases	275,197
Revenue from variable payments not previously included in the measurement for the lease receivable:	715,554

Of the Airport Authority's lease receivables at June 30, 2023, the entire amount of \$8,621,495 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, 2023

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Future principal and interest payment requirements related to the Airport Authority's lease receivable at June 30, 2023 are as follows:

	Principal	Interest	Total
2024	163,695	270,669	434,364
2025	169,448	265,936	435,384
2026	173,169	261,063	434,232
2027	166,250	256,198	422,448
2028	151,661	251,447	403,108
2029-2033	635,357	1,197,463	1,832,820
2034-2038	737,987	1,089,298	1,827,285
2039-2043	853,373	963,967	1,817,340
2044-2048	999,797	817,543	1,817,340
2049-2053	1,171,384	645,956	1,817,340
2054-2058	1,217,209	448,721	1,665,930
2059-2063	1,116,923	267,817	1,384,740
2064-2068	931,079	82,302	1,013,381
2069-2072	134,163	5,958	140,121
Total	<u>\$ 8,621,495</u>	<u>\$ 6,824,338</u>	<u>\$ 15,445,833</u>

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
<i>Governmental activities:</i>				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 85,150,233	\$ 353,920	\$ -	\$ 85,504,153
Artwork	288,879	-	-	288,879
Construction in progress	83,892,247	104,200,688	(78,378,088)	109,714,847
Total nondepreciable capital assets	<u>169,331,359</u>	<u>104,554,608</u>	<u>(78,378,088)</u>	<u>195,507,879</u>
<i>Depreciable:</i>				
Buildings and building improvements	83,160,633	3,237,039	-	86,397,672
Equipment, furniture and fixtures	138,095,294	13,086,241	(5,243,475)	145,938,060
Infrastructure and site improvements	518,902,856	22,653,875	-	541,556,731
Total depreciable capital assets	<u>740,158,783</u>	<u>38,977,155</u>	<u>(5,243,475)</u>	<u>773,892,463</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(43,629,314)	(2,767,249)	-	(46,396,563)
Equipment, furniture and fixtures	(87,528,731)	(11,775,785)	4,831,605	(94,472,911)
Infrastructure and site improvements	(285,932,914)	(16,321,331)	-	(302,254,245)
Total accumulated depreciation	<u>(417,090,959)</u>	<u>(30,864,365)</u>	<u>4,831,605</u>	<u>(443,123,719)</u>
Total depreciable capital assets, net	<u>323,067,824</u>	<u>8,112,790</u>	<u>(411,870)</u>	<u>330,768,744</u>
Right of use lease assets				
Building	3,020,698	-	-	3,020,698
Accumulated amortization	(335,633)	(335,634)	-	(671,267)
Total right of use lease assets, net	<u>2,685,065</u>	<u>(335,634)</u>	<u>-</u>	<u>2,349,431</u>
Right of use subscription assets				
Subscription assets	2,484,061	-	-	2,484,061
Accumulated amortization	-	(784,440)	-	(784,440)
Total right of use subscription assets, net	<u>2,484,061</u>	<u>(784,440)</u>	<u>-</u>	<u>1,699,621</u>
Governmental activities capital assets, net	<u>\$ 497,568,309</u>	<u>\$ 111,547,324</u>	<u>\$ (78,789,958)</u>	<u>\$ 530,325,675</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS – Continued

Business-type activities:

Nondepreciable:

Land & site improvements	\$ 7,686,303	\$ -	\$ -	\$ 7,686,303
Artwork	764,875	-	-	764,875
Construction in progress	-	143,442	-	143,442

Total nondepreciable capital assets	8,451,178	143,442	-	8,594,620
-------------------------------------	-----------	---------	---	-----------

Depreciable:

Buildings and building improvements	233,997,612	261,802	-	234,259,414
Equipment, furniture and fixtures	10,920,084	291,266	-	11,211,350
Infrastructure and site improvements	31,809,032	-	-	31,809,032
Total depreciable capital assets	276,726,728	553,068	-	277,279,796

Accumulated depreciation:

Buildings and building improvements	(119,185,259)	(5,512,784)	-	(124,698,043)
Equipment, furniture and fixtures	(7,623,452)	(625,084)	-	(8,248,536)
Infrastructure and site improvements	(18,843,406)	(1,265,791)	-	(20,109,197)
Total accumulated depreciation	(145,652,117)	(7,403,659)	-	(153,055,776)

Total depreciable capital assets, net	131,074,611	(6,850,591)	-	124,224,020
---------------------------------------	-------------	-------------	---	-------------

Business-type activities capital assets, net	\$ 139,525,789	\$ (6,707,149)	\$ -	\$ 132,818,640
--	----------------	----------------	------	----------------

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	\$ 4,086	\$ (4,086)	\$ -	\$ -
---	----------	------------	------	------

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

Governmental Activities

General	\$ 14,315,321
Public Safety	3,073,191
Physical Environment	11,946,771
Economic Development	24,728
Parks and Recreation	2,233,776
Health and Sanitation	390,652
	<u>\$ 31,984,439</u>

Business-type Activities

Knoxville Convention Center	\$ 4,749,573
Metro Parking	1,394,441
Public Assembly Facilities	1,197,995
Municipal Golf Courses	61,650
	<u>\$ 7,403,659</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2023 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>	\$ 161,753,319	\$ 194,937,382	\$ (135,368,463)	\$ 221,322,238
<i>Depreciable:</i>				
Pumping and treatment plant	413,844,673	8,398,801	(2,089,203)	420,154,271
Distribution & collection plant	2,456,360,992	111,881,232	(13,215,766)	2,555,026,458
General plant	278,765,298	17,085,602	(2,563,375)	293,287,525
Total depreciable assets	3,148,970,963	137,365,635	(17,868,344)	3,268,468,254
Accumulated depreciation	(1,057,804,184)	(95,226,575)	19,041,504	(1,133,989,255)
Total depreciable capital assets, net	2,091,166,779	42,139,060	1,173,160	2,134,478,999
Total net plant	2,252,920,098	237,076,442	(134,195,303)	2,355,801,237
 Intangible right of use assets				
Office space	4,361,497	-	(154,920)	4,206,577
Equipment	82,407	67,006	(16,410)	133,003
Other	143,783	330,678	(143,783)	330,678
Total intangible right of use assets	4,587,687	397,684	(315,113)	4,670,258
Accumulated amortization	(689,074)	(851,664)	175,503	(1,365,235)
Total intangible right of use assets, net	3,898,613	(453,980)	(139,610)	3,305,023
 Intangible subscription assets				
Intangible subscription assets	9,273,959	49,820	-	9,323,779
Accumulated amortization	(832,906)	(1,196,807)	-	(2,029,713)
Total intangible subscription assets, net	8,441,053	(1,146,987)	-	7,294,066
Total Knoxville Utilities Board	\$ 2,265,259,764	\$ 235,475,475	\$ (134,334,913)	\$ 2,366,400,326
 Metropolitan Knoxville Airport Authority				
<i>Nondepreciable:</i>				
Land	\$ 41,390,465	\$ 473,347	\$ -	\$ 41,863,812
Construction in progress	20,578,875	22,857,957	(29,339,595)	14,097,237
Total nondepreciable capital assets	61,969,340	23,331,304	(29,339,595)	55,961,049
<i>Depreciable:</i>				
Land improvements	245,538,772	9,082,547	-	254,621,319
Buildings and building improvements	181,359,031	4,354,435	-	185,713,466
Equipment, furniture and fixtures	37,889,184	7,429,966	(104,708)	45,214,442
Total depreciable capital assets	464,786,987	20,866,948	(104,708)	485,549,227
<i>Accumulated depreciation:</i>				
Land improvements	(108,042,297)	(10,160,974)	-	(118,203,271)
Buildings and building improvements	(129,653,201)	(5,701,769)	-	(135,354,970)
Equipment, furniture and fixtures	(15,465,007)	(2,862,962)	66,816	(18,261,153)
Total accumulated depreciation	(253,160,505)	(18,725,705)	66,816	(271,819,394)
Total depreciable capital assets, net	211,626,482	2,141,243	(37,892)	213,729,833
Total Metropolitan Knoxville Airport Authority	\$ 273,595,822	\$ 25,472,547	\$ (29,377,487)	\$ 269,690,882

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS – Continued

Knoxville Area Transit

Nondepreciable:

Land	\$ 2,199,236	\$ -	\$ -	\$ 2,199,236
Artwork	49,000	-	-	49,000
Construction in progress	2,165,590	709,516	-	2,875,106
Total nondepreciable capital assets	<u>4,413,826</u>	<u>709,516</u>	<u>-</u>	<u>5,123,342</u>

Depreciable:

Buildings and building improvements	35,057,790	47,544	-	35,105,334
Infrastructure and site improvements	557,914	-	-	557,914
Equipment, vehicles, furniture and fixtures	56,413,774	132,487	-	56,546,261
Total depreciable capital assets	<u>92,029,478</u>	<u>180,031</u>	<u>-</u>	<u>92,209,509</u>

Accumulated depreciation:

Buildings and building improvements	(15,001,524)	(1,366,087)	-	(16,367,611)
Infrastructure and site improvements	(141,405)	(25,969)	-	(167,374)
Equipment, vehicles, furniture and fixtures	(30,742,638)	(3,734,476)	-	(34,477,114)
Total accumulated depreciation	<u>(45,885,567)</u>	<u>(5,126,532)</u>	<u>-</u>	<u>(51,012,099)</u>
Total depreciable capital assets, net	<u>46,143,911</u>	<u>(4,946,501)</u>	<u>-</u>	<u>41,197,410</u>
Total Knoxville Area Transit	<u>\$ 50,557,737</u>	<u>\$ (4,236,985)</u>	<u>\$ -</u>	<u>\$ 46,320,752</u>

The Authority is contractually obligated to expend approximately \$17.6M more for various projects. Estimated costs to complete construction in progress for these projects total approximately \$32.3M as of June 30, 2023. 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, 2023, as these funds are held in escrow. The Authority's acceptance of these funds is not an agreement that these amounts represent fair compensation. The remaining \$1,190,000 was collected in August 2023. 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 became the property of the FAA. The project was completed upon the FAA's inspection of the specific equipment or construction, and acceptance that it was substantially complete and ready for use. The FAA accepted all responsibilities for operations and maintenance requirements of this equipment. Equipment of approximately \$10,600,000 was transferred to the FAA upon title transfer in 2023 and recorded in the statement of operations as a nonoperating expense.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances	Due From Component Units	Due To Primary Government
Governmental Activities					
General Fund	\$ 4,732,257	\$ 25,412,224	\$ (20,679,967)	\$ (3,717,424)	\$ -
Debt Service Fund	-	1,022,827	(1,022,827)	-	-
Special Revenue Fund:					
State Street Aid	-	-	-	-	-
Community Development Block Grant	-	-	-	(731,789)	-
Animal Control	-	-	-	-	-
Abandoned Vehicles	-	232,538	(232,538)	(91,607)	-
City Inspections	-	361,613	(361,613)	-	-
City Court	-	10,144	(10,144)	-	-
Miscellaneous Grants	3,022,826	380,782	2,642,044	12,362,004	-
Miscellaneous Special Revenue	4,030,818	125,732	3,905,086	-	-
Storm Water	-	97,913	(97,913)	-	-
Solid Waste	-	72,082	(72,082)	-	-
Miscellaneous Community Development Funds	1,539,097	136,318	1,402,779	-	-
Knoxville Civic Revitalization	-	-	-	-	-
Capital Projects Fund	8,456,896	-	8,456,896	1,611,404	-
Internal Service Funds:					
Fleet Maintenance	1,978,891	-	1,978,891	-	-
Risk Management	-	30,256	(30,256)	-	-
Health Insurance	-	-	-	-	-
Equipment Replacement	-	-	-	-	-
City Buildings	-	-	-	-	-
Total governmental activities	<u>23,760,785</u>	<u>27,882,429</u>	<u>(4,121,644)</u>	<u>9,432,588</u>	<u>-</u>
Business-Type Activities					
Knoxville Convention Center	1,284,828	3,883,034	(2,598,206)	-	-
Public Assembly Facilities	7,598,939	135,814	7,463,125	2,540,341	-
Metro Parking	-	379,634	(379,634)	-	-
Municipal Golf Courses	-	363,641	(363,641)	-	-
Total business-type activities	<u>8,883,767</u>	<u>4,762,123</u>	<u>4,121,644</u>	<u>2,540,341</u>	<u>-</u>
Fiduciary Funds					
City Choice Plus Fund	-	-	-	(92,437)	-
Health Savings	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,437)</u>	<u>-</u>
Component Units:					
Knoxville Area Transit	-	-	-	-	11,880,492
	<u>\$ 32,644,552</u>	<u>\$ 32,644,552</u>	<u>\$ -</u>	<u>\$ 11,880,492</u>	<u>\$ 11,880,492</u>

CITY OF KNOXVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2023, 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	\$ -	\$ 60,065,000	\$ 60,065,000
General Obligation Public Improvement and Refunding Bonds Series 2021 maturing through 2041 at varying rates of interest ranging from 3.0% to 5.0%	70,995,000	9,730,000	80,725,000
General Obligation Bonds Series 2018 maturing through 2028 at varying rates of interest ranging from 3.0% to 5.0%	7,920,000	-	7,920,000
General Obligation Bonds Series 2021B maturing through 2042 at varying rates of interest from 3.0% to 5.0%	<u>16,205,000</u>	<u>-</u>	<u>16,205,000</u>
Total General Obligation Bonds	95,120,000	69,795,000	164,915,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points	<u>2,220,000</u>	<u>-</u>	<u>2,220,000</u>
Total Primary Government	<u>\$ 97,340,000</u>	<u>\$ 69,795,000</u>	<u>\$ 167,135,000</u>

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, these requirements had been satisfied.

Component Units:	<u>Revenue Bonds</u>
<i>Knoxville Utilities Board:</i>	
Electric Revenue Bonds Series EE to OO, maturing through 2053 at varying rates of interest ranging from 2.0% to 5.0%	\$ 369,795,000
Water Revenue Bonds Series BB to MM maturing through 2053 at varying rates of interest ranging from 2.0% to 5.0%	184,265,000
Gas Revenue Bonds Series U to AA, maturing through 2053 at varying rates of interest ranging from 2.0% to 5.0%	78,105,000
Waste Water Revenue Bonds Series 2010C, 2015A, 2015B, 2016, 2017A 2017B, 2018, 2019, 2020A, 2020B, 2021A, 2022A, 2022B, 2022C maturing through 2053 at varying rates of interest ranging from 4.0% to 6.1%	<div style="text-align: right;">467,345,000</div> <div style="text-align: right;"><u>\$ 1,099,510,000</u></div>
<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 \$5,750,000 to \$6,000,000 through June 2028. Interest is paid semiannually.	<div style="text-align: right;">\$ 17,650,000</div> <div style="text-align: right;"><u> </u></div>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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
2024	\$ 8,170,000	\$ 3,741,150	\$ 6,210,000	\$ 2,889,100
2025	7,130,000	3,370,450	4,590,000	2,578,600
2026	5,735,000	3,022,450	7,475,000	2,359,800
2027	6,020,000	2,744,200	7,775,000	2,060,800
2028	6,325,000	2,484,900	8,085,000	1,749,800
2029-2033	26,540,000	8,728,950	35,660,000	3,634,600
2034-2038	22,685,000	4,120,500	-	-
2038-2042	14,735,000	960,000	-	-
	<u>97,340,000</u>	<u>\$ 29,172,600</u>	<u>69,795,000</u>	<u>\$ 15,272,700</u>
Unamortized premium	16,902,586		2,117,624	
Total	<u>\$ 114,242,586</u>		<u>\$ 71,912,624</u>	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
2024	\$ 44,140,000	\$ 43,129,189
2025	46,580,000	41,072,959
2026	50,790,000	39,187,307
2027	52,320,000	37,157,925
2028	53,700,000	35,028,014
2029-2033	229,555,000	145,698,392
2034-2038	216,770,000	102,911,893
2039-2043	231,160,000	58,533,149
2044-2048	146,450,000	22,212,562
2049-2053	45,695,000	3,908,519
	<u>\$ 1,117,160,000</u>	<u>\$ 528,839,909</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM DEBT - Continued

Current and Advance Refundings

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 2023, KUB's Electric Division issued Series OO 2022 bonds to fund electric system capital improvements.

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.

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.

During fiscal year 2023, KUB's Wastewater Division issued Series 2022C bonds to fund wastewater system capital improvements.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM DEBT - Continued

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 2023, 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 \$5,750,000 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.

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023:

	Balance June 30, 2022	Additions and Transfers	Reductions and Transfers	Balance June 30, 2023	Due Within One Year
Primary Government					
<i>Government Activities:</i>					
General obligation bonds	\$ 102,695,000	\$ -	\$ 7,575,000	\$ 95,120,000	\$ 8,000,000
Add unamortized amounts for issuance premiums	17,930,775	-	1,028,189	16,902,586	1,028,188
	120,625,775	-	8,603,189	112,022,586	9,028,188
HUD section 108 promissory note	2,390,000	-	170,000	2,220,000	170,000
Estimated claims liability	20,450,000	21,869,807	21,869,807	20,450,000	5,100,000
Compensated absences payable	10,740,278	10,471,986	9,704,557	11,507,707	7,565,229
Net pension liability	139,255,037	184,298,177	33,119,927	290,433,287	-
Net OPEB liability	18,510,370	2,336,617	4,195,011	16,651,976	-
Total governmental activities long-term liabilities	<u>\$ 311,971,460</u>	<u>\$ 218,976,587</u>	<u>\$ 77,662,491</u>	<u>\$ 453,285,556</u>	<u>\$ 21,863,417</u>
<i>Business-type Activities:</i>					
General obligation bonds	\$ 75,600,000	\$ -	\$ 5,805,000	\$ 69,795,000	\$ 6,210,000
Add unamortized amounts for issuance premiums	2,235,269	-	117,645	2,117,624	117,646
	77,835,269	-	5,922,645	71,912,624	6,327,646
Compensated absences payable	6,981	35,427	21,203	21,205	13,704
Derivative instrument - interest rate swaps	-	-	-	-	-
Total business-type activities long-term liabilities	<u>\$ 77,842,250</u>	<u>\$ 35,427</u>	<u>\$ 5,943,848</u>	<u>\$ 71,933,829</u>	<u>\$ 6,341,350</u>

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

All bonds and loans are backed by the full faith and credit of the City. In addition to the primary pledge of property taxes, the City has pledged convention center revenues net of operating expenses (if any) as a secondary pledge to repay the \$60.1 million TN Series A-4-A long-term debt issue used to construct the center. For the year ended June 30, 2023, 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 \$231 million, based on market interest rates effective on June 30, 2023.

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, 2023

NOTE 10 - LONG-TERM DEBT - Continued

Component Units	Balance June 30, 2022	Additions and Transfers	Reductions and Transfers	Refundings / Retirements	Balance June 30, 2023	Due Within One Year
<i>Knoxville Utilities Board:</i>						
Revenue bonds	\$ 1,053,280,000	\$ 88,995,000	\$ 42,765,000	\$ -	\$ 1,099,510,000	\$44,140,000
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	225,278	325,770	306,392	-	244,656	35,000
Total Knoxville Utilities Board	<u>1,075,378,425</u>	<u>116,648,422</u>	<u>70,217,443</u>	<u>-</u>	<u>1,121,809,404</u>	<u>47,805,757</u>
<i>Metropolitan Knoxville Airport Authority:</i>						
Revenue/general obligation bonds	28,885,000	-	11,235,000	-	17,650,000	-
Total Metropolitan Knoxville Airport Authority	<u>28,885,000</u>	<u>-</u>	<u>11,235,000</u>	<u>-</u>	<u>17,650,000</u>	<u>-</u>
Total component units	<u>\$ 1,104,263,425</u>	<u>\$ 116,648,422</u>	<u>\$ 81,452,443</u>	<u>\$ -</u>	<u>\$ 1,139,459,404</u>	<u>\$47,805,757</u>

NOTE 11 - LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENT LIABILITIES

Primary Government

Leases

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, 2023				
Amortization expense by class of underlying asset					
Building	\$ 335,633				
Total amortization expense	335,633				
Interest on lease liabilities	64,758				
Total	<u>\$ 400,391</u>				

	Year Ending June 30, 2022	Additions	Subtractions	Year Ending June 30, 2023	Amounts due within one year
Lease Liabilities	<u>\$ 2,746,204</u>	<u>\$ -</u>	<u>\$ (288,912)</u>	<u>\$ 2,457,292</u>	<u>\$ 303,386</u>

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Principal	Interest	Total Payments
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	366,532	24,613	391,145
2029-2033	785,205	20,710	805,915
	<u>\$ 2,457,292</u>	<u>\$ 229,141</u>	<u>\$ 2,686,433</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENT LIABILITIES – Continued

SBITA

The City has subscription-based information technology agreements (SBITAs) which grant noncancelable rights to use underlying information technology software. The term of the agreement is three years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when the City is reasonably certain to exercise the renewal option.

	Year Ending June 30, 2023
Subscription expense	
Amortization expense by class of underlying asset	
Subscription asset	\$ 784,440
Total amortization expense	784,440
Interest on subscription liabilities	89,858
Total	<u>\$ 874,298</u>

	Year Ending June 30, 2022	Additions	Subtractions	Year Ending June 30, 2023	Amounts due within one year
SBITA Liabilities	<u>\$ 2,484,061</u>	<u>\$ -</u>	<u>\$ (856,179)</u>	<u>\$ 1,627,882</u>	<u>\$ 793,639</u>

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Principal	Interest	Total Payments
2024	\$ 793,639	\$ 83,286	\$ 876,925
2025	834,243	42,681	876,924
	<u>\$ 1,627,882</u>	<u>\$ 125,967</u>	<u>\$ 1,753,849</u>

Component Units

Knoxville Utilities Board

Leases

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, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	\$ 4,060,460	\$ 367,985	\$ (900,867)	\$ 3,527,578
Less current portion	<u>\$ (844,904)</u>			<u>(830,979)</u>
Long-term portion	<u>\$ 3,215,556</u>			<u>\$ 2,696,599</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENT LIABILITIES – Continued

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	\$ 830,980	\$ 119,183
2025	880,026	88,904
2026	914,471	56,015
2027	744,564	21,227
2028	19,470	6,992
2029-2033	32,592	30,070
2034-2038	45,904	26,739
2035-2039	59,571	18,573
	<u>\$ 3,527,578</u>	<u>\$ 367,703</u>

SBITA

KUB has subscription-based information technology agreements (SBITAs) which grant noncancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	\$ 8,273,214	\$ 68,768	\$ (709,324)	\$ 7,632,658
Less current portion	\$ (709,324)			(910,426)
Long-term portion	<u>\$ 7,563,890</u>			<u>\$ 6,722,232</u>

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	SBITA Maturities	Interest Requirements
2024	\$ 910,427	\$ 280,086
2025	1,037,806	243,407
2026	1,206,487	199,923
2027	1,237,452	151,139
2028	1,296,953	101,933
2029-2032	1,943,534	125,307
	<u>\$ 7,632,659</u>	<u>\$ 1,101,795</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 12 - FUND BALANCES

Detail fund balances are as follows:

	Special Revenue Funds					
				Miscellaneous Community Development		
	General Fund	Debt Service Fund	Capital Projects Fund	Fund	Other Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 556,198	\$ -	\$ 15,500	\$ -	\$ 366,851	\$ 938,549
Prepays	-	-	-	-	-	-
Permanent Fund Principal	-	-	-	-	636,823	636,823
Restricted for:						
Street Improvements	-	-	-	-	4,706,734	4,706,734
Community Development	1,597,906	-	-	1,790,116	16,552	3,404,574
Law Enforcement	-	-	-	-	4,873,420	4,873,420
Parks & Recreation	-	-	-	-	190,300	190,300
Solid Waste Operations	-	-	-	-	4,597,159	4,597,159
Krutch Park	-	-	-	-	414,762	414,762
Committed to:						
Debt Service	-	56,905,455	-	-	-	56,905,455
Economic Stabilization	60,808,264	-	-	-	-	60,808,264
Contingency Fund	3,040,413	-	-	-	-	3,040,413
Recovery Grants	-	-	-	-	16,860,800	16,860,800
Other Capital Projects	-	-	124,764,418	-	-	124,764,418
Abandoned Vehicle Operations	-	-	-	-	990,550	990,550
City Inspections Operations	-	-	-	-	1,871,506	1,871,506
City Court Operations	-	-	-	-	1,731,490	1,731,490
Animal Control Operations	-	-	-	-	809,329	809,329
Beer Board	-	-	-	-	194,671	194,671
Finance & Accountability	4,350,084	-	-	-	-	4,350,084
Law Enforcement	245,800	-	-	-	1,867,631	2,113,431
Safety City	-	-	-	-	530,514	530,514
Storm Water Operations	-	-	-	-	2,605,189	2,605,189
Assigned to:						
Administration	1,525,781	-	-	-	-	1,525,781
Bond Rating Maintenance	15,202,066	-	-	-	-	15,202,066
Legal Settlements	-	-	-	-	4,429,150	4,429,150
Appropriated Fund Balance	-	-	-	-	-	-
Finance	7,295,752	-	-	-	-	7,295,752
Community Development	419,175	-	-	-	-	419,175
Law Enforcement	500,015	-	-	-	51,539	551,554
Public Services	741,499	-	-	-	-	741,499
Parks & Recreation	524,130	-	-	-	-	524,130
Unassigned	46,837,398	-	-	-	-	46,837,398
Total Fund Balances	<u>\$ 143,644,481</u>	<u>\$ 56,905,455</u>	<u>\$ 124,779,918</u>	<u>\$ 1,790,116</u>	<u>\$ 47,744,970</u>	<u>\$ 374,864,940</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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>2023</u>	<u>2022</u>
Estimated maximum claims liability, beginning of year	\$ 2,750,000	\$ 2,750,000
Provision for incurred claims	18,179,213	14,953,605
Payments made on claims	<u>(18,179,213)</u>	<u>(14,953,605)</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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Estimated maximum claims liability, beginning of year	\$ 17,700,000	\$ 17,700,000
Provision for incurred claims	3,690,594	3,553,763
Payments made on claims	<u>(3,690,594)</u>	<u>(3,553,763)</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, 2023

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2023, 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, 2023, the amount of these liabilities was \$2,566,095. An analysis of claims activity for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Estimated maximum claims liability, beginning of year	\$ 2,252,221	\$ 1,936,245
Provision for incurred claims	21,658,882	18,435,605
Payments made on claims	<u>(21,345,008)</u>	<u>(18,119,629)</u>
Estimated maximum claims liability, end of year	<u>\$ 2,566,095</u>	<u>\$ 2,252,221</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, 2023

NOTE 14 - JOINT VENTURES

Sports Authority

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, 2023.

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, 2023

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 - five year extensions. The original agreement expired on December 31, 2022. The fourth amendment extends the term for an additional one-year period with an expiration date of December 31, 2023. Under the terms of the amended agreement, Billy Casper Golf receives a monthly payment of \$7,756 for Knoxville Municipal Golf Course and \$6,609 for Whittle Springs.

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, 2023

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, 2023:

	<u>Spent to Date</u>	<u>Contractual Commitment Remaining at June 30, 2023</u>
Access Improvements	\$ 132,189	\$ 5,495
Austin Homes Redevelopment	772,325	1,673,893
Bridge Maintenance	274,284	152,517
Building Improvements	2,189,524	184,867
Downtown Improvements	106,953	25,722
Drainage Improvements	1,037,519	1,236,198
Greenway Improvements	848,177	752,020
Information Technology Upgrades	846,413	843,339
New Sidewalk	4,912,756	3,794,215
Park Improvements	6,234,324	2,074,429
Paving Program	9,469,011	4,408,136
Public Safety Facilities	20,933,517	1,642,848
Roadway Improvements	2,302,017	5,418,261
Sidewalk Improvements	737,682	385,975
Solid Waste Facilities	-	500
Street Lighting	244,363	-
Streetscapes	162,241	924,531
Traffic Signal Upgrades	1,056,402	1,647,779
Urban Wilderness	1,663,101	1,643,795
Water Quality Improvements	267,885	5,989
Western Heights Revitalization	694,890	4,125,938
	<hr/>	<hr/>
Total	<u>\$ 54,885,574</u>	<u>\$ 30,946,446</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 6,177,990
Capital Projects	34,198,917
Miscellaneous CD Funds	
Miscellaneous Community Development Funds	67,941
Other Governmental Funds	
Special Revenue Funds	395,752
Miscellaneous Grants Funds	5,330,436
Total Other Governmental Funds	<u>5,726,188</u>
	<u>\$ 46,171,036</u>

Component units

Knoxville Utilities Board

Natural Gas Supply Contract Commitments - For fiscal year 2023, the Gas Division hedged 25 percent of its total gas purchases via gas supply contracts. As of June 30, 2023, the Gas Division had hedged the price on approximately 6 percent of its anticipated gas purchases for fiscal year 2024.

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

Firm obligations related to purchased gas – demand

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	
Demand:						
Transportation	\$ 16,315,729	\$ 16,315,729	\$ 4,679,868	\$ -	\$ -	
Storage	4,792,908	4,637,898	1,950,536	1,380,120	1,035,090	
Demand total	<u>\$ 21,108,637</u>	<u>\$ 20,953,627</u>	<u>\$ 6,630,404</u>	<u>\$ 1,380,120</u>	<u>\$ 1,035,090</u>	
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029-2054</u>
Commodity:						
Baseload	<u>\$ 14,484,477</u>	<u>\$ 9,015,378</u>	<u>\$ 7,019,103</u>	<u>\$ 7,044,120</u>	<u>\$ 6,974,328</u>	<u>\$ 173,898,486</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 and NextEra Energy 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, 2023. The firm obligations value for Tennergy Corporation are based upon 30-year prepay gas contracts valued at the applicable Tennessee Zone 0 and Tennessee 800L strip prices on June 30, 2023.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 \$5,653,323 in 2023 and \$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 2023 and 2022. As of June 30, 2023 and 2022, 45% and 34%, respectively, of trade accounts receivables are due from these major airlines. As of June 30, 2023 and 2022, the Authority also had receivables from rental car companies which collectively accounted for 11% and 19%, respectively, 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.

(Space is intentionally blank)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 – TRANSFERS - Continued

Transfers From:														
	Governmental Activities									Business-type Activities	Internal Service Funds		Component Units	Total
	General Fund	Debt Service	Capital Projects	State Street Aid	City Inspections	Miscellaneous Grants	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Convention Center	Fleet Maintenance	Risk Management	Knoxville Area Transit	
Transfers To:														
Primary Government:														
<i>Governmental Activities:</i>														
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,090	\$ 957,758	\$ -	\$ -	\$ -	\$ -	\$ 89,970	\$ -	\$ 1,073,818
Debt Service	-	-	-	1,480,990	-	-	-	-	-	-	-	-	-	1,480,990
Capital Projects Fund	21,665,331	11,237,300	-	1,869,960	-	15,040,240	162,480	-	-	-	-	-	-	49,975,311
City Court	76,240	-	-	-	-	-	-	-	-	-	-	-	-	76,240
Miscellaneous Grants	77	-	-	-	-	-	-	-	-	-	-	-	-	77
Animal Controls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Special Revenue Funds	408,086	-	-	-	-	-	-	-	-	-	-	-	-	408,086
Storm Water	3,533,790	-	-	-	-	-	-	-	-	-	-	-	-	3,533,790
Solid Waste	8,606,920	-	-	-	-	-	-	-	-	-	-	-	-	8,606,920
<i>Business-type Activities:</i>														
Convention Center	1,818,880	-	-	-	-	-	-	-	-	-	-	-	-	1,818,880
Metro Parking	639,950	-	-	-	-	-	-	-	-	-	-	-	-	639,950
Public Assembly Facilities	5,263,960	-	-	-	-	-	-	-	-	-	-	-	-	5,263,960
Municipal Golf Courses	624,400	-	-	-	-	-	-	-	-	-	-	-	-	624,400
<i>Internal Service Funds:</i>														
Fleet Maintenance	40,733	-	31,844	-	44,000	390,000	-	-	-	-	-	-	-	506,577
Risk Management	347,030	-	-	-	-	-	-	-	-	-	-	-	-	347,030
Equipment Replacement	642,897	-	105,192	-	22,496	-	-	744	99,532	4,148	2,828	2,276	14,277	894,390
City Buildings	400,570	-	-	-	-	-	-	-	-	-	-	-	-	400,570
<i>Component Units:</i>														
Knoxville Area Transit	10,075,500	-	-	-	-	-	-	-	-	-	-	-	-	10,075,500
	<u>\$ 54,144,364</u>	<u>\$ 11,237,300</u>	<u>\$ 137,036</u>	<u>\$ 3,350,950</u>	<u>\$ 66,496</u>	<u>\$ 15,456,330</u>	<u>\$ 1,120,238</u>	<u>\$ 744</u>	<u>\$ 99,532</u>	<u>\$ 4,148</u>	<u>\$ 2,828</u>	<u>\$ 92,246</u>	<u>\$ 14,277</u>	<u>\$ 85,726,489</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

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 \$2,240,000 for 2023.

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, 2023

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms - Membership of the Plan consisted of the following at July 1, 2022, the date of the latest actuarial valuation:

Active participants	1,392
Vested terminated participants	141
Retired participants	<u>2,018</u>
Total	<u>3,551</u>

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 20 years remain at July 1, 2022. Projected covered payroll for the year beginning July 1, 2022 amounted to approximately \$85,647,000. The ratio of the net pension liability to the covered payroll was 339.3%.

The contributions for the year ended June 30, 2023 were based on the actuarial valuation as of July 1, 2022 (2022 contributions were based on the July 1, 2021 valuation). The table below shows the contribution rates as percentages of covered payroll.

<u>Plan</u>	<u>2023</u>	<u>2022</u>
C	17.56%	17.65%
A, B, G	7.27%	7.35%
H, general government	9.05%	8.83%
H, uniformed	12.96%	12.96%

amortization payments made by Plan, are as follows:

<u>Plan</u>	<u>2023</u>	<u>2022</u>
C	\$ 12,400,000	\$ 12,227,000
A, B, G (general government)	\$ 4,780,000	\$ 4,758,000
A, B (education)	\$ 2,240,000	\$ 2,373,000

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, 2023 and 2022 were \$20,270 and \$47,601, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2022, 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, 2023

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Actuarial assumptions: The total pension liability in the July 1, 2022 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	20 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; 7.20% 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	11.5%	11.5%
Age 35	4.7%	5.7%
Age 50	3.6%	3.8%
Age 60	3.0%	3.0%

In the July 1, 2022 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, 2022 valuation were based on the July 1, 2021 actuarial experience study.

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, 2022 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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Asset Class	30-Year Expected Nominal Return*	30-Year Expected Real Return
Core Fixed Income	4.30 %	1.80 %
Long-Term Government Fixed Income	2.80	0.30
TIPS	3.50	1.00
Emerging Markets Debt	6.90	4.40
Defensive Equity	4.90	2.40
Large Cap Value Stocks	7.50	5.00
Large Cap Growth Stocks	7.50	5.00
Small-Mid Cap Growth Stocks	7.80	5.30
Small-Mid Cap Value Stocks	8.20	5.70
Developed International Value Stocks	7.60	5.10
Emerging Markets Stocks	8.00	5.50
Global Low Volatility	7.60	5.10
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 7.20% (5.5% for Division H). The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory contribution rates and that contributions from the City will be made at the current statutory contributions rates. Based on those assumptions, the System's net position is expected to be available indefinitely. Accordingly, the discount rate is equal to the expected long-term rate of return on assets and does not include a component of the municipal bond rate. The long-term expected rate of return on pension plan investments was applied to periods of projected benefit payments.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 (July 1, 2021 measurement)	\$ 858,090,083	\$ 718,835,046	\$ 139,255,037
Changes for the year:			
Service cost	13,550,520	-	13,550,520
Interest expense	60,175,297	-	60,175,297
Experience losses (gains)	29,196,138	-	29,196,138
Change of assumptions	25,464,566	-	25,464,566
Contributions - City	-	28,650,787	(28,650,787)
Contributions - members	-	4,469,140	(4,469,140)
Net investment income (loss)	-	(55,003,697)	55,003,697
Refunds of contributions	(610,524)	(610,524)	-
Benefits paid	(53,054,434)	(53,054,434)	-
Plan administrative expenses	-	(907,959)	907,959
Net changes	74,721,563	(76,456,687)	151,178,250
Balances at June 30, 2023 (July 1, 2022 measurement)	\$ 932,811,646	\$ 642,378,359	\$ 290,433,287

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 7.20 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 (6.20%)*	Current Rate (7.20%)*	1% Increase (8.20%)*
Net Pension Liability	\$ 402,214,927	\$ 290,433,287	\$ 197,315,472

* 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, 2023

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, 2023, the City recognized pension expense of \$40,646,015. At June 30, 2023, 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	\$ 27,446,668	\$ 2,333,812
Change in assumptions	24,821,844	-
Net difference between projected and actual earnings on investments	50,347,263	-
Contributions made subsequent to the measurement date	29,919,357	-
Total	<u>\$ 132,535,132</u>	<u>\$ 2,333,812</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 June 30,	
2024	23,760,070
2025	18,615,472
2026	12,326,095
2027	29,661,904
2028	8,109,753
Thereafter	7,808,669

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, 2023, the City reported no contributions payable to the pension plan required for the year ended June 30, 2023.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 \$599,394 in fiscal 2023.

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the City and the retirees contributed \$1,251,075.

Employees covered by the benefit terms

At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Active participants (covered)	1,245
Active participants (not covered)	-
Retired participants (covered)	<u>106</u>
Total	<u>1,351</u>

Total OPEB Liability

The City's total OPEB liability of \$16,651,976 was measured as of June 30, 2023, 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, 2023

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

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2023 actuarial valuation, measured as of June 30, 2023, 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	4.13 percent
Healthcare cost trend rates	6.25 percent to grade uniformly to 5.20 percent over 2 years, and following the Getzen model thereafter until reaching an ultimate rate of 3.94 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, 2023.

Mortality rates were based on 115% of the RP-2014 Blue Collar table rates projected to 2021 with MP-2021.

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, 2023

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

Changes in the Total OPEB liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2022	\$ 18,510,370
Changes for the year:	
Service cost	836,059
Interest expense	394,479
Experience losses (gains)	1,106,079
Change of assumptions	(2,943,936)
Benefits paid	(1,251,075)
Net changes	<u>(1,858,394)</u>
Balances at June 30, 2023	<u>\$ 16,651,976</u>

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 or 1-percentage-point higher than the current discount rate.

	<u>1% Decrease (3.13%)</u>	<u>Current Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
Total OPEB Liability	\$ 17,697,326	\$ 16,651,976	\$ 15,672,712

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 15,313,327	\$ 16,651,976	\$ 18,196,248

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the City recognized OPEB expense of \$544,178. At June 30, 2023, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 4,226,683	\$ 104,282
Change in assumptions	<u>411,930</u>	<u>2,649,542</u>
Total	<u>\$ 4,638,613</u>	<u>\$ 2,753,824</u>

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 <u>June 30,</u>	
2024	564,715
2025	564,715
2026	564,715
2027	564,721
2028	88,639
Thereafter	(462,716)

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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	\$14,835,602
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	22,798,626
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	1,684,395
Accounts payable to the Knoxville Utilities Board	686,079

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 49 active PILOT agreements, with an estimated \$4,075,757 abated in fiscal 2023.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 24 active TIF agreements, with \$3,693,584 abated in 2023.

City of Knoxville Tax Abatements			
	PILOT	TIF	Total
2023	\$ 4,075,757	\$ 3,693,584	\$ 7,769,341
1 - 5 years	18,410,841	16,159,083	34,569,924
6 - 10 years	14,122,973	14,704,915	28,827,888
11 - 15 years	4,943,408	12,382,360	17,325,768
16 - 20 years	1,554,440	11,103,496	12,657,936
20 + years	421,228	10,974,997	11,396,225
Total Taxes Abated Over the Next 20+ years	<u>\$ 43,528,647</u>	<u>\$ 69,018,435</u>	<u>\$ 112,547,082</u>

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

THIS PAGE IS LEFT BLANK INTENTIONALLY

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2023Schedule of Changes in Net Pension Liability and Related Ratios - City of Knoxville Pension System
(Dollar Amounts in Millions)

Unaudited - See Independent Auditor's Report

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 13.5	\$ 13.4	\$ 13.2	\$ 13.0	\$ 13.0	\$ 13.1	\$ 13.1	\$ 12.6	\$ 12.3
Interest	60.2	59.1	57.9	56.4	55.1	52.5	51.8	50.9	49.4
Differences between expected and actual experience	29.2	2.1	(2.6)	2.1	(1.9)	(3.7)	2.1	(6.1)	0.9
Changes in assumptions	25.50	-	-	-	-	21.0	-	-	-
Benefit payments/refunds	(53.7)	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Net change in total pension liability	<u>74.7</u>	<u>22.1</u>	<u>17.4</u>	<u>24.0</u>	<u>18.7</u>	<u>36.7</u>	<u>22.3</u>	<u>13.9</u>	<u>20.3</u>
Total pension liability, beginning	<u>858.1</u>	<u>836.0</u>	<u>818.6</u>	<u>794.6</u>	<u>775.9</u>	<u>739.2</u>	<u>716.9</u>	<u>703.0</u>	<u>682.7</u>
Total pension liability, ending (a)	<u>\$ 932.8</u>	<u>\$ 858.1</u>	<u>\$ 836.0</u>	<u>\$ 818.6</u>	<u>\$ 794.6</u>	<u>\$ 775.9</u>	<u>\$ 739.2</u>	<u>\$ 716.9</u>	<u>\$ 703.0</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 28.7	\$ 28.9	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9	\$ 22.6	\$ 15.2
Contributions - employee	4.5	4.4	4.4	4.3	4.2	4.4	4.4	4.1	4.0
Net investment income	(55.0)	135.5	15.1	30.8	37.6	63.3	(1.0)	7.9	87.1
Benefit payments/refunds	(53.7)	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Administrative expenses	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)
Net change in plan fiduciary net position	<u>\$ (76.4)</u>	<u>\$ 115.7</u>	<u>\$ (3.1)</u>	<u>\$ 15.6</u>	<u>\$ 19.3</u>	<u>\$ 44.6</u>	<u>\$ (18.1)</u>	<u>\$ (9.6)</u>	<u>\$ 63.2</u>
Plan fiduciary net position - beginning	<u>718.8</u>	<u>603.1</u>	<u>606.2</u>	<u>590.6</u>	<u>571.3</u>	<u>526.7</u>	<u>544.8</u>	<u>554.4</u>	<u>491.2</u>
Plan fiduciary net position - ending (b)	<u>\$ 642.4</u>	<u>\$ 718.8</u>	<u>\$ 603.1</u>	<u>\$ 606.2</u>	<u>\$ 590.6</u>	<u>\$ 571.3</u>	<u>\$ 526.7</u>	<u>\$ 544.8</u>	<u>\$ 554.4</u>
Net pension liability - ending (a) - (b)	<u>\$ 290.4</u>	<u>\$ 139.3</u>	<u>\$ 232.9</u>	<u>\$ 212.4</u>	<u>\$ 204.0</u>	<u>\$ 204.6</u>	<u>\$ 212.5</u>	<u>\$ 172.1</u>	<u>\$ 148.6</u>
Plan fiduciary net position as a % of the total pension liability	68.9%	83.8%	72.1%	74.1%	74.3%	73.6%	71.3%	76.0%	78.9%
Covered payroll	85.6	76.3	74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5	\$ 71.0	\$ 69.9
Net pension liability as a % of covered payroll	339.3%	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, 2023Schedule of Employer Contributions - City of Knoxville Pension System
(Dollar amounts in millions)

Unaudited - See Independent Auditor's Report

	June 30, 2023	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	\$ 29.9	\$ 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	29.9	28.7	28.9	29.2	28.7	25.7	23.8	23.9	22.6	20.9
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 87.0	\$ 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	34.4%	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, 2022	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	\$ 3,144,770	\$ 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 contribution	3,144,770	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	\$ 37,412,132	\$ 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	8.41%	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, 2023

Schedule of Changes in Total OPEB Liability and Related Ratios

Unaudited - See Independent Auditor's Report

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 836,059	\$ 796,247	\$ 688,710	\$ 655,914	\$ 624,680	\$ 436,576
Interest	394,479	394,917	431,372	427,163	317,285	349,404
Differences between expected and actual experience	1,106,079	-	2,159,141	-	4,031,515	(260,708)
Changes in assumptions	(2,943,936)	-	292,685	-	487,812	-
Benefit payments/refunds	(1,251,075)	(1,025,345)	(965,031)	(1,066,425)	(992,024)	(384,860)
Net change in total OPEB liability	(1,858,394)	165,819	2,606,877	16,652	4,469,268	140,412
Total OPEB liability-beginning	18,510,370	18,344,551	15,737,674	15,721,022	11,251,754	11,111,342
Total OPEB liability-ending	\$ 16,651,976	\$ 18,510,370	\$ 18,344,551	\$ 15,737,674	\$ 15,721,022	\$ 11,251,754
Covered-employee payroll	\$ 76,821,588	\$ 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	21.7%	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, 2023: 1) The discount rate is 4.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2023, compared to the prior Statement No. 75 discount rate of 2.79%. 2) The medical claims cost was determined by analyzing actual active and retiree claims experience from 2020-2022. Historical claim experience for the three years ending December 31, 2022 was projected to the valuation year at 6.25% and weighted using the sum-of-digits method. These claims costs have been calculated for a male at attained age 65 and decrease according to the Dale Yamamoto aging table. 3) The assumed trend rate for the medical claims was changed from 6.25% grading uniformly to an ultimate rate of 5.20% over 2 years, and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.

THIS PAGE IS LEFT BLANK INTENTIONALLY

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.

Permanent Fund

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, 2023

	Special Revenue Funds					
	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Assets						
Cash and cash equivalents	\$ 593,931	\$ 191	\$ 328	\$ 100	\$ 4,410	\$ 1,699,228
Investments	3,219,276	-	1,358,986	2,264,020	1,764,298	-
Accounts receivable	1,132,947	976,130	2,645	30,793	9,474	496,063
Notes receivable	-	1,124,441	-	-	-	-
Inventories	323,286	43,565	-	-	-	-
Due from other funds	-	-	-	-	-	3,022,826
Due from component unit	-	-	-	-	-	12,362,004
Due from governmental agencies	-	303,976	-	-	-	-
Total assets	<u>\$ 5,269,440</u>	<u>\$ 2,448,303</u>	<u>\$ 1,361,959</u>	<u>\$ 2,294,913</u>	<u>\$ 1,778,182</u>	<u>\$ 17,580,121</u>
Liabilities						
Accounts payable	\$ 239,420	\$ 427,656	\$ 39,869	\$ 26,468	\$ 26,182	\$ 189,829
Accrued liabilities	-	9,591	7,390	35,321	10,368	3,272
Customer deposits	-	111,261	-	-	-	-
Due to other funds	-	-	232,538	361,613	10,144	380,782
Due to component unit	-	731,789	91,607	-	-	-
Due to other governmental agencies	-	-	-	-	-	-
Total liabilities	<u>239,420</u>	<u>1,280,297</u>	<u>371,404</u>	<u>423,402</u>	<u>46,694</u>	<u>573,883</u>
Deferred inflows of resources						
Unavailable revenue - other	-	1,124,441	-	-	-	48,900
Total deferred inflows of resources	<u>-</u>	<u>1,124,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,900</u>
Fund balances						
Non-spendable	323,286	43,565	-	-	-	-
Restricted	4,706,734	-	-	-	-	-
Committed	-	-	990,555	1,871,511	1,731,488	16,957,338
Assigned	-	-	-	-	-	-
Total fund balances	<u>5,030,020</u>	<u>43,565</u>	<u>990,555</u>	<u>1,871,511</u>	<u>1,731,488</u>	<u>16,957,338</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,269,440</u>	<u>\$ 2,448,303</u>	<u>\$ 1,361,959</u>	<u>\$ 2,294,913</u>	<u>\$ 1,778,182</u>	<u>\$ 17,580,121</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
\$ 50	\$ 779,863	\$ 318,593	\$ 100	\$ -	\$ 3,396,794	\$ 461,951	\$ 3,858,745
809,279	8,122,619	2,449,498	6,841,144	-	26,829,120	589,634	27,418,754
-	22,752	2,951	41,900	-	2,715,655	-	2,715,655
-	-	-	-	-	1,124,441	-	1,124,441
-	-	-	-	-	366,851	-	366,851
-	4,030,818	-	-	-	7,053,644	-	7,053,644
-	-	-	-	-	12,362,004	-	12,362,004
-	34,449	-	17,073	-	355,498	-	355,498
<u>\$ 809,329</u>	<u>\$ 12,990,501</u>	<u>\$ 2,771,042</u>	<u>\$ 6,900,217</u>	<u>\$ -</u>	<u>\$ 54,204,007</u>	<u>\$ 1,051,585</u>	<u>\$ 55,255,592</u>
\$ -	115,310	\$ 28,000	\$ 2,210,298	\$ -	\$ 3,303,032	\$ -	\$ 3,303,032
-	4,297	39,941	20,678	-	130,858	-	130,858
-	662,871	-	-	-	774,132	-	774,132
-	125,732	97,913	72,082	-	1,280,804	-	1,280,804
-	-	-	-	-	823,396	-	823,396
-	25,059	-	-	-	25,059	-	25,059
<u>-</u>	<u>933,269</u>	<u>165,854</u>	<u>2,303,058</u>	<u>-</u>	<u>6,337,281</u>	<u>-</u>	<u>6,337,281</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173,341</u>	<u>-</u>	<u>1,173,341</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173,341</u>	<u>-</u>	<u>1,173,341</u>
-	-	-	-	-	366,851	636,823	1,003,674
-	5,080,272	-	4,597,159	-	14,384,165	414,762	14,798,927
809,329	2,496,271	2,605,188	-	-	27,461,680	-	27,461,680
-	4,480,689	-	-	-	4,480,689	-	4,480,689
<u>809,329</u>	<u>12,057,232</u>	<u>2,605,188</u>	<u>4,597,159</u>	<u>-</u>	<u>46,693,385</u>	<u>1,051,585</u>	<u>47,744,970</u>
<u>\$ 809,329</u>	<u>\$ 12,990,501</u>	<u>\$ 2,771,042</u>	<u>\$ 6,900,217</u>	<u>\$ -</u>	<u>\$ 54,204,007</u>	<u>\$ 1,051,585</u>	<u>\$ 55,255,592</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	\$ 6,626,201	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits & inspection charges	-	-	-	3,272,852	-	-
Intergovernmental	-	3,518,613	-	-	222,489	23,149,031
Charges for services	-	-	422,101	-	13,950	-
Fines & forfeitures	-	-	-	-	1,264,371	-
Other	117,743	106,924	754,716	67,962	69,153	70,897
Total revenues	<u>6,743,944</u>	<u>3,625,537</u>	<u>1,176,817</u>	<u>3,340,814</u>	<u>1,569,963</u>	<u>23,219,928</u>
Expenditures						
Current:						
Administration	-	-	-	-	-	2,549,814
Finance	-	-	-	-	-	123,329
Community Development	-	3,629,829	-	-	-	-
Parks and Recreation	-	-	-	-	-	28
Engineering	3,067,849	-	974,445	-	-	1,303,106
Public Services	-	-	-	3,183,525	-	28,461
Law	-	-	-	-	1,058,991	-
Police	-	-	-	-	-	1,803,437
Emergency Management	-	-	-	-	-	60,608
Fire	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	<u>3,067,849</u>	<u>3,629,829</u>	<u>974,445</u>	<u>3,183,525</u>	<u>1,058,991</u>	<u>5,868,783</u>
Excess (deficiency) of revenues over (under) expenditures	3,676,095	(4,292)	202,372	157,289	510,972	17,351,145
Other financing sources (uses)						
Transfers in	-	-	-	-	76,240	77
Transfers out	(3,350,950)	-	-	(66,496)	-	(15,456,330)
Total other financing sources (uses)	<u>(3,350,950)</u>	<u>-</u>	<u>-</u>	<u>(66,496)</u>	<u>76,240</u>	<u>(15,456,253)</u>
Net changes in fund balances	325,145	(4,292)	202,372	90,793	587,212	1,894,892
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 5,030,020</u>	<u>\$ 43,565</u>	<u>\$ 990,555</u>	<u>\$ 1,871,511</u>	<u>\$ 1,731,488</u>	<u>\$ 16,957,338</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,626,201	\$ -	\$ 6,626,201
-	-	-	-	-	3,272,852	-	3,272,852
-	151,202	-	79,709	-	27,121,044	-	27,121,044
31,577	32,225	288,222	2,572,064	199,998	3,560,137	-	3,560,137
-	930,548	-	-	-	2,194,919	-	2,194,919
28,978	4,928,567	73,172	239,658	-	6,457,770	44,397	6,502,167
60,555	6,042,542	361,394	2,891,431	199,998	49,232,923	44,397	49,277,320
-	-	-	-	-	2,549,814	-	2,549,814
-	-	-	-	199,998	323,327	-	323,327
-	-	-	-	-	3,629,829	-	3,629,829
-	26,335	-	-	-	26,363	-	26,363
-	-	3,470,225	-	-	8,815,625	-	8,815,625
6,039	-	-	11,287,786	-	14,505,811	-	14,505,811
-	-	-	-	-	1,058,991	-	1,058,991
-	1,153,695	-	-	-	2,957,132	-	2,957,132
-	465	-	-	-	61,073	-	61,073
-	274	-	-	-	274	-	274
-	2,300	-	-	-	2,300	-	2,300
6,039	1,183,069	3,470,225	11,287,786	199,998	33,930,539	-	33,930,539
54,516	4,859,473	(3,108,831)	(8,396,355)	-	15,302,384	44,397	15,346,781
-	408,086	3,533,790	8,606,920	-	12,625,113	-	12,625,113
-	(1,120,238)	(744)	(99,532)	-	(20,094,290)	-	(20,094,290)
-	(712,152)	3,533,046	8,507,388	-	(7,469,177)	-	(7,469,177)
54,516	4,147,321	424,215	111,033	-	7,833,207	44,397	7,877,604
754,813	7,909,911	2,180,973	4,486,126	-	38,860,178	1,007,188	39,867,366
\$ 809,329	\$ 12,057,232	\$ 2,605,188	\$ 4,597,159	\$ -	\$ 46,693,385	\$ 1,051,585	\$ 47,744,970

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, assessments, interest & penalties	\$ 6,400,000	6,400,000	\$ 6,626,201	\$ 226,201
Other	1,000	1,000	117,743	116,743
Total revenues	<u>6,401,000</u>	<u>6,401,000</u>	<u>6,743,944</u>	<u>342,944</u>
Expenditures				
Current:				
Engineering	<u>3,050,050</u>	<u>3,069,050</u>	<u>3,067,849</u>	<u>1,201</u>
Total expenditures	<u>3,050,050</u>	<u>3,069,050</u>	<u>3,067,849</u>	<u>1,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,350,950</u>	<u>3,331,950</u>	<u>3,676,095</u>	<u>344,145</u>
Other financing sources (uses)				
Transfers out	<u>(3,350,950)</u>	<u>(3,331,950)</u>	<u>(3,350,950)</u>	<u>(19,000)</u>
Total other financing sources (uses)	<u>(3,350,950)</u>	<u>(3,331,950)</u>	<u>(3,350,950)</u>	<u>(19,000.00)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	325,145	<u>\$ 325,145</u>
Fund balance - beginning			<u>4,704,875</u>	
Fund balance - ending			<u>\$ 5,030,020</u>	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 1,723,480	\$ 1,723,480	\$ 3,518,613	\$ 1,795,133
Other	120,000	120,000	106,924	(13,076)
Total revenues	<u>1,843,480</u>	<u>1,843,480</u>	<u>3,625,537</u>	<u>1,782,057</u>
Expenditures:				
Current:				
Community Development	<u>1,843,480</u>	<u>3,636,480</u>	<u>3,629,829</u>	<u>6,651</u>
Total expenditures	<u>1,843,480</u>	<u>3,636,480</u>	<u>3,629,829</u>	<u>6,651</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,793,000)</u>	<u>(4,292)</u>	<u>1,788,708</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ (1,793,000)</u>	<u>(4,292)</u>	<u>1,788,708</u>
Fund balances - beginning			<u>47,857</u>	
Fund balances - ending			<u>\$ 43,565</u>	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services:	\$ 335,000	\$ 335,000	\$ 422,101	\$ 87,101
Other	376,010	376,010	754,716	378,706
Total revenues	711,010	711,010	1,176,817	465,807
Expenditures				
Current:				
Fleet	948,420	1,018,420	974,445	43,975
Total expenditures	948,420	1,018,420	974,445	43,975
Excess (deficiency) of revenues over (under) expenditures	(237,410)	(307,410)	202,372	509,782
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Appropriated fund balance	-	307,410	-	(307,410)
Total other financing sources (uses)	-	307,410	-	(307,410)
Net changes in fund balances	\$ (237,410)	\$ -	202,372	\$ 202,372
Fund balance - beginning			788,183	
Fund balance - ending			\$ 990,555	

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, 2023

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Licenses, permits & inspection charges	\$ 3,092,780	\$ 3,092,780	\$ 3,272,852	\$ 180,072
Other	1,500	1,500	67,962	66,462
Total revenues	<u>3,094,280</u>	<u>3,094,280</u>	<u>3,340,814</u>	<u>246,534</u>
Expenditures				
Current:				
Inspections	<u>3,342,160</u>	<u>3,303,620</u>	<u>3,183,525</u>	<u>120,095</u>
Total expenditures	<u>3,342,160</u>	<u>3,303,620</u>	<u>3,183,525</u>	<u>120,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(247,880)</u>	<u>(209,340)</u>	<u>157,289</u>	<u>366,629</u>
Other financing sources (uses)				
Transfers in	217,350	-	-	-
Transfers out	-	(66,560)	(66,496)	64
Appropriated fund balance	<u>30,530</u>	<u>275,900</u>	<u>-</u>	<u>(275,900)</u>
Total other financing sources (uses)	<u>247,880</u>	<u>209,340</u>	<u>(66,496)</u>	<u>(275,836)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>90,793</u>	<u>\$ 90,793</u>
Fund balance - beginning			<u>1,780,718</u>	
Fund balance - ending			<u>\$ 1,871,511</u>	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 222,489	\$ 22,489
Charges for services	20,000	20,000	13,950	(6,050)
Fines & forfeitures	1,125,000	1,125,000	1,264,371	139,371
Other	13,000	13,000	69,153	56,153
Total revenues	<u>1,358,000</u>	<u>1,358,000</u>	<u>1,569,963</u>	<u>211,963</u>
Expenditures				
Current:				
Law	<u>1,434,240</u>	<u>1,434,240</u>	<u>1,058,991</u>	<u>375,249</u>
Total expenditures	<u>1,434,240</u>	<u>1,434,240</u>	<u>1,058,991</u>	<u>375,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,240)</u>	<u>(76,240)</u>	<u>510,972</u>	<u>587,212</u>
Other financing sources (uses)				
Transfers in	76,240	76,240	76,240	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>76,240</u>	<u>76,240</u>	<u>76,240</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>587,212</u>	<u>\$ 587,212</u>
Fund balance - beginning			<u>1,144,276</u>	
Fund balance - ending			<u>\$ 1,731,488</u>	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 37,000	\$ 37,000	\$ 31,577	\$ (5,423)
Other	2,500	2,500	28,978	26,478
Total revenues	39,500	39,500	60,555	21,055
Expenditures				
Current:				
Public services	45,000	45,000	6,039	38,961
Total expenditures	45,000	45,000	6,039	38,961
Excess (deficiency) of revenues over (under) expenditures	(5,500)	(5,500)	54,516	60,016
Other financing sources (uses)				
Appropriated fund balance	5,500	5,500	-	(5,500)
Total other financing sources (uses)	5,500	5,500	-	(5,500)
Net change in fund balances	\$ -	\$ -	54,516	\$ 54,516
Fund balances - beginning			754,813	
Fund balances - ending			\$ 809,329	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 151,202	\$ 66,202
Charges for services	44,500	44,500	32,225	(12,275)
Fines & forfeitures	474,000	474,000	930,548	456,548
Other	97,960	111,960	4,928,567	4,816,607
Total revenues	<u>701,460</u>	<u>715,460</u>	<u>6,042,542</u>	<u>5,327,082</u>
Expenditures				
Current:				
Parks and Recreation	18,250	18,250	26,335	(8,085)
Public services	2,500	2,500	-	2,500
Police	1,742,140	1,762,190	1,153,695	608,495
Emergency Management	-	-	465	(465)
Fire	1,500	1,500	274	1,226
Legislative	155,000	155,000	2,300	152,700
Total expenditures	<u>1,919,390</u>	<u>1,939,440</u>	<u>1,183,069</u>	<u>756,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,217,930)</u>	<u>(1,223,980)</u>	<u>4,859,473</u>	<u>6,083,453</u>
Other financing sources (uses)				
Transfers in	325,640	325,640	408,086	82,446
Transfers out	(162,480)	(247,430)	(1,120,238)	(872,808)
Appropriated fund balance	<u>1,054,770</u>	<u>1,145,770</u>	<u>-</u>	<u>(1,145,770)</u>
Total other financing sources (uses)	<u>1,217,930</u>	<u>1,223,980</u>	<u>(712,152)</u>	<u>(1,936,132)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>4,147,321</u>	<u>\$ 4,147,321</u>
Fund balances - beginning			<u>7,909,911</u>	
Fund balances - ending			<u>\$ 12,057,232</u>	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 371,500	\$ 371,500	\$ 288,222	\$ (83,278)
Other	500	500	73,172	72,672
Total revenues	<u>372,000</u>	<u>372,000</u>	<u>361,394</u>	<u>(10,606)</u>
Expenditures				
Current:				
Engineering	<u>3,905,790</u>	<u>3,905,040</u>	<u>3,470,225</u>	<u>434,815</u>
Total expenditures	<u>3,905,790</u>	<u>3,905,040</u>	<u>3,470,225</u>	<u>434,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,533,790)</u>	<u>(3,533,040)</u>	<u>(3,108,831)</u>	<u>424,209</u>
Other financing sources (uses)				
Transfers in	3,533,790	3,533,790	3,533,790	-
Transfers out	-	(750)	(744)	6
Total other financing sources (uses)	<u>3,533,790</u>	<u>3,533,040</u>	<u>3,533,046</u>	<u>6</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>424,215</u>	<u>\$ 424,215</u>
Fund balance - beginning			<u>2,180,973</u>	
Fund balance - ending			<u>\$ 2,605,188</u>	

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 1,900,000	\$ 1,900,000	\$ 2,572,064	\$ 672,064
Intergovernmental	100,000	100,000	79,709	(20,291)
Other	41,000	41,000	239,658	198,658
Total revenues	<u>2,041,000</u>	<u>2,041,000</u>	<u>2,891,431</u>	<u>850,431</u>
Expenditures				
Current:				
Public Services	<u>10,647,920</u>	<u>11,288,380</u>	<u>11,287,786</u>	<u>594</u>
Total expenditures	<u>10,647,920</u>	<u>11,288,380</u>	<u>11,287,786</u>	<u>594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,606,920)</u>	<u>(9,247,380)</u>	<u>(8,396,355)</u>	<u>851,025</u>
Other financing sources (uses)				
Transfers in	8,606,920	8,606,920	8,606,920	-
Transfers out	<u>-</u>	<u>(99,540)</u>	<u>(99,532)</u>	<u>8</u>
Total other financing sources (uses)	<u>8,606,920</u>	<u>8,507,380</u>	<u>8,507,388</u>	<u>8</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ (740,000)</u>	111,033	<u>\$ 851,033</u>
Fund balance - beginning			<u>4,486,126</u>	
Fund balance - ending			<u>\$ 4,597,159</u>	

THIS PAGE IS LEFT BLANK INTENTIONALLY

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2023

Assets

Cash and cash equivalents	\$	100
Investments		57,721,698
Accounts receivable		95,411
Taxes receivable		12,391,620
Total assets	\$	<u>70,208,829</u>

Liabilities

Due to other funds		1,022,827
Due to other governmental agencies		<u>2,586</u>
Total liabilities		<u>1,025,413</u>

Deferred inflows of resources

Unavailable revenue - property taxes		<u>12,277,961</u>
Total deferred inflows of resources		<u>12,277,961</u>

Fund balances

Committed		<u>56,905,455</u>
Total fund balance		<u>56,905,455</u>

Total liabilities, deferred inflows of resources and fund balance	\$	<u>70,208,829</u>
---	----	-------------------

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, 2023

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes, assessments, interest & penalties	\$ 11,563,620	\$ 11,563,620	\$ 12,083,884	\$ 520,264
Appropriated fund balance	9,704,730	9,704,730	-	(9,704,730)
Other	<u>200,000</u>	<u>200,000</u>	<u>2,320,394</u>	<u>2,120,394</u>
Total revenues	<u>21,468,350</u>	<u>21,468,350</u>	<u>14,404,278</u>	<u>(7,064,072)</u>
Expenditures				
Current:				
Debt service:				
Principal retirement	7,575,000	7,575,000	7,575,000	-
Interest payments on bonds & notes	<u>4,137,040</u>	<u>4,137,040</u>	<u>4,137,035</u>	<u>5</u>
Total expenditures	<u>11,712,040</u>	<u>11,712,040</u>	<u>11,712,035</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,756,310</u>	<u>9,756,310</u>	<u>2,692,243</u>	<u>(7,064,067)</u>
Other financing sources (uses)				
Transfers in	1,480,990	1,480,990	1,480,990	-
Transfers out	<u>(11,237,300)</u>	<u>(11,237,300)</u>	<u>(11,237,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>(9,756,310)</u>	<u>(9,756,310)</u>	<u>(9,756,310)</u>	<u>-</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(7,064,067)</u>	<u>\$ (7,064,067)</u>
Fund balance - beginning			<u>63,969,522</u>	
Fund balance - ending			<u>\$ 56,905,455</u>	

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2023

Assets

Cash and cash equivalents	\$ 3,877,201
Investments	112,937,532
Accounts receivable	3,258,038
Notes receivable	7,000,000
Inventory	15,500
Due from component unit	1,611,404
Due from other funds	8,456,896
Total assets	<u>\$ 137,156,571</u>

Liabilities

Accounts payable	8,668,921
Accrued liabilities	<u>2,576,170</u>
Total liabilities	<u>11,245,091</u>

Deferred inflows of resources

Unavailable revenue - other	<u>1,131,562</u>
Total deferred inflows of resources	<u>1,131,562</u>

Fund balance

Nonspendable	15,500
Committed	<u>124,764,418</u>
Total fund balance	<u>124,779,918</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 137,156,571</u>

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, 2023

	<u>Actual</u>		<u>Total</u>	<u>Project</u>	<u>Variance</u>
	<u>Prior Years</u>	<u>Current Year</u>	<u>to Date</u>	<u>Authorization</u>	<u>With Final Budget</u>
Revenues					
Intergovernmental	\$ 58,369,025	\$ 3,696,002	\$ 62,065,027	\$ 170,332,493	\$ (108,267,466)
Other	49,676,506	10,379,448	60,055,954	64,988,329	(4,932,375)
Total revenues	108,045,531	14,075,450	122,120,981	235,320,822	(113,199,841)
Expenditures					
Current:					
Capital & grant projects	533,318,405	57,046,511	590,364,916	834,562,006	244,197,090
Total expenditures	533,318,405	57,046,511	590,364,916	834,562,006	244,197,090
Excess (deficiency) of revenues over (under) expenditures	<u>(425,272,874)</u>	<u>(42,971,061)</u>	<u>(468,243,935)</u>	<u>(599,241,184)</u>	<u>130,997,249</u>
Other financing sources (uses)					
Bonds proceeds	46,745,932	-	46,745,932	167,241,210	(120,495,278)
Debt issue premium	527,039	-	527,039	-	527,039
Transfers in	432,627,328	49,975,311	482,602,639	431,999,974	50,602,665
Transfers out	(7,706,518)	(137,036)	(7,843,554)	-	(7,843,554)
Total other financing sources (uses)	472,193,781	49,838,275	522,032,056	599,241,184	(77,209,128)
Net changes in fund balance	<u>\$ 46,920,907</u>	6,867,214	<u>\$ 53,788,121</u>	<u>\$ -</u>	<u>\$ 53,788,121</u>
Fund balance - beginning		<u>117,912,704</u>			
Fund balance - ending		<u>\$ 124,779,918</u>			

THIS PAGE IS LEFT BLANK INTENTIONALLY

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, 2023

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash & temporary investments	\$ 100	\$ 1,997,457	\$ 1,380,689	\$ 3,378,246
Investments	9,749,251	5,040,728	706,360	15,496,339
Accounts receivable	575,102	151,144	6,710	732,956
Due from other funds	-	7,598,939	-	7,598,939
Due from component unit	-	2,540,341	-	2,540,341
Inventories	-	66,184	40,137	106,321
Prepaid items	-	23,484	54,714	78,198
Total current assets	<u>10,324,453</u>	<u>17,418,277</u>	<u>2,188,610</u>	<u>29,931,340</u>
Noncurrent assets				
Land and site improvements	2,079,796	1,831,368	473,119	4,384,283
Buildings and improvements	41,043,899	31,770,266	13,470	72,827,635
Equipment, furniture and fixtures	1,603,759	3,862,299	126,412	5,592,470
Infrastructure and site improvements	-	118,960	1,084,127	1,203,087
Construction in progress	-	143,442	-	143,442
Less: accumulated depreciation	<u>(24,671,087)</u>	<u>(24,351,106)</u>	<u>(529,787)</u>	<u>(49,551,980)</u>
Total capital assets (net of accumulated depreciation)	20,056,367	13,375,229	1,167,341	34,598,937
Equity interest in joint venture	-	-	-	-
Total noncurrent assets	<u>20,056,367</u>	<u>13,375,229</u>	<u>1,167,341</u>	<u>34,598,937</u>
Total assets	<u>30,380,820</u>	<u>30,793,506</u>	<u>3,355,951</u>	<u>64,530,277</u>
Liabilities				
Current liabilities				
Accounts payable	19,711	645,442	190,109	855,262
Accrued liabilities	26,264	2,466,762	-	2,493,026
Unearned revenue	-	432,627	19,701	452,328
Due to other funds	<u>379,634</u>	<u>135,814</u>	<u>363,641</u>	<u>879,089</u>
Total current liabilities	<u>425,609</u>	<u>3,680,645</u>	<u>573,451</u>	<u>4,679,705</u>
Total liabilities	<u>425,609</u>	<u>3,680,645</u>	<u>573,451</u>	<u>4,679,705</u>
Net position				
Net investment in capital assets	20,056,367	13,375,229	1,167,341	34,598,937
Unrestricted	<u>9,898,844</u>	<u>13,737,632</u>	<u>1,615,159</u>	<u>25,251,635</u>
Total net position	<u>\$ 29,955,211</u>	<u>\$ 27,112,861</u>	<u>\$ 2,782,500</u>	<u>\$ 59,850,572</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 4,123,467	\$ 5,057,211	\$ 1,670,969	\$ 10,851,647
Total operating revenues	<u>4,123,467</u>	<u>5,057,211</u>	<u>1,670,969</u>	<u>10,851,647</u>
Operating expenses				
Personal services	232,236	-	-	232,236
Materials & supplies	38,455	78,115	-	116,570
Depreciation & amortization	1,394,441	1,197,995	61,650	2,654,086
Other operating expenses	<u>2,682,493</u>	<u>8,521,443</u>	<u>1,762,872</u>	<u>12,966,808</u>
Total operating expenses	<u>4,347,625</u>	<u>9,797,553</u>	<u>1,824,522</u>	<u>15,969,700</u>
Operating income (loss)	<u>(224,158)</u>	<u>(4,740,342)</u>	<u>(153,553)</u>	<u>(5,118,053)</u>
Nonoperating revenue (expense)				
Interest income	341,016	179,472	27,994	548,482
Intergovernmental revenue	-	-	-	-
Other revenues	<u>-</u>	<u>690,014</u>	<u>-</u>	<u>690,014</u>
Total nonoperating revenue (expense)	<u>341,016</u>	<u>869,486</u>	<u>27,994</u>	<u>1,238,496</u>
Income (loss) before transfers and capital contributions	116,858	(3,870,856)	(125,559)	(3,879,557)
Transfers in	639,950	5,263,960	624,400	6,528,310
Transfers out	-	-	-	-
Capital contributions	<u>45,272</u>	<u>436,408</u>	<u>-</u>	<u>481,680</u>
Change in net position	802,080	1,829,512	498,841	3,130,433
Fund balances - beginning	<u>29,153,131</u>	<u>25,283,349</u>	<u>2,283,659</u>	<u>56,720,139</u>
Fund balances - ending	<u>\$ 29,955,211</u>	<u>\$ 27,112,861</u>	<u>\$ 2,782,500</u>	<u>\$ 59,850,572</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 3,771,825	\$ 5,414,453	\$ 1,663,492	\$ 10,849,770
Cash paid to suppliers	(2,746,466)	(6,847,687)	(1,792,741)	(11,386,894)
Cash paid to employees	(220,015)	-	-	(220,015)
Net cash provided by (used in) operating activities	<u>805,344</u>	<u>(1,433,234)</u>	<u>(129,249)</u>	<u>(757,139)</u>
Noncapital financing activities				
Transfers from other funds	617,575	-	432,368	1,049,943
Transfers to other funds	-	(5,605,495)	-	(5,605,495)
Tax and intergovernmental revenues	-	1,126,422	-	1,126,422
Net cash provided by (used in) noncapital financing activities	<u>617,575</u>	<u>(4,479,073)</u>	<u>432,368</u>	<u>(3,429,130)</u>
Capital and related financing activities				
Acquisition and construction of capital assets	(45,272)	(436,407)	-	(481,679)
Capital contributions	45,272	-	-	45,272
Net cash used in capital and related financing activities	<u>-</u>	<u>(436,407)</u>	<u>-</u>	<u>(436,407)</u>
Investing activities				
Sales/(purchases) of investments, net	(2,163,935)	534,056	184,764	(1,445,115)
Investment earnings	341,016	179,472	27,994	548,482
Net cash provided by (used in) investing activities	<u>(1,822,919)</u>	<u>713,528</u>	<u>212,758</u>	<u>(896,633)</u>
Net (decrease) increase in cash and cash equivalents	<u>(400,000)</u>	<u>(5,635,186)</u>	<u>515,877</u>	<u>(5,519,309)</u>
Cash and cash equivalents				
Beginning of year	<u>400,100</u>	<u>7,632,643</u>	<u>864,812</u>	<u>8,897,555</u>
End of year	<u>\$ 100</u>	<u>\$ 1,997,457</u>	<u>\$ 1,380,689</u>	<u>\$ 3,378,246</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ (224,158)	\$ (4,740,342)	\$ (153,553)	\$ (5,118,053)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	1,394,441	1,197,995	61,650	2,654,086
Change in assets and liabilities				
(Increase) decrease in receivables	(351,642)	59,283	(4,701)	(297,060)
(Increase) decrease in prepayments	-	6,430	16,836	23,266
(Increase) decrease in inventories	-	(64,684)	(20,557)	(85,241)
Increase (decrease) in accounts payable	(25,518)	18,987	(26,148)	(32,679)
Increase (decrease) in accrued expenses	12,221	1,797,568	-	1,809,789
Increase (decrease) in deferred revenue	-	291,529	(2,776)	288,753
Total adjustments	<u>1,029,502</u>	<u>3,307,108</u>	<u>24,304</u>	<u>4,360,914</u>
Net cash provided by (used in) operating activities	<u>\$ 805,344</u>	<u>\$ (1,433,234)</u>	<u>\$ (129,249)</u>	<u>\$ (757,139)</u>

THIS PAGE IS LEFT BLANK INTENTIONALLY

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, 2023

Assets	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Current assets						
Cash & temporary investments	\$ 595,139	\$ 480,914	\$ 521,139	\$ 1,150	\$ 2,861,199	\$ 4,459,541
Investments	64,414,609	39,053,768	26,653,875	27,367,733	37,428	157,527,413
Accounts receivable	42,032	23,697	54,624	-	152,005	272,358
Due from other funds	1,978,891	-	-	-	-	1,978,891
Due from fiduciary funds	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-
Inventories	1,729,500	-	-	-	-	1,729,500
Total current assets	68,760,171	39,558,379	27,229,638	27,368,883	3,050,632	165,967,703
Noncurrent assets						
Land & site improvements	-	-	-	-	-	-
Construction in process	401,832	-	-	228,112	-	629,944
Building & building improvements	257,391	-	-	-	-	257,391
Equipment	91,494,918	19,995	-	31,727,995	-	123,242,908
Less: accumulated depreciation	(58,054,724)	(19,995)	-	(20,947,562)	-	(79,022,281)
Total capital assets (net of accumulated depreciation)	34,099,417	-	-	11,008,545	-	45,107,962
Equity interest in joint venture	-	-	-	-	1,556,082	1,556,082
Total noncurrent assets	34,099,417	-	-	11,008,545	1,556,082	46,664,044
Total assets	102,859,588	39,558,379	27,229,638	38,377,428	4,606,714	212,631,747
Deferred outflows of resources						
Pensions	2,279,604	384,352	225,310	-	-	2,889,266
Total deferred outflows of resources	2,279,604	384,352	225,310	-	-	2,889,266
Liabilities						
Current liabilities						
Accounts payable	984,968	371,226	2,050,720	28,017	340,000	3,774,931
Accrued liabilities	200,044	35,222	22,986	-	-	258,252
Customer deposits	-	-	-	-	-	-
Due to other funds	-	30,256	-	-	-	30,256
Compensated absences	-	-	-	-	-	-
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	1,185,012	5,536,704	2,073,706	28,017	340,000	9,163,439
Noncurrent liabilities						
Net pension liability	4,995,453	842,257	493,737	-	-	6,331,447
Estimated claims liability	-	12,600,000	2,750,000	-	-	15,350,000
Total noncurrent liabilities	4,995,453	13,442,257	3,243,737	-	-	21,681,447
Total liabilities	6,180,465	18,978,961	5,317,443	28,017	340,000	30,844,886
Deferred inflows of resources						
Pensions	40,142	6,768	3,967	-	-	50,877
Total deferred inflows of resources	40,142	6,768	3,967	-	-	50,877
Net position						
Net investment in capital assets	34,099,417	-	-	11,008,545	-	45,107,962
Unrestricted	64,819,168	20,957,002	22,133,538	27,340,866	4,266,714	139,517,288
Total net position	\$ 98,918,585	\$ 20,957,002	\$ 22,133,538	\$ 38,349,411	\$ 4,266,714	\$ 184,625,250

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 21,025,968	\$ 7,760,540	\$ 20,911,919	\$ 3,674,950	4,362,791	\$ 57,736,168
Total operating revenues	<u>21,025,968</u>	<u>7,760,540</u>	<u>20,911,919</u>	<u>3,674,950</u>	<u>4,362,791</u>	<u>57,736,168</u>
Operating expenses						
Personal services	3,416,689	458,046	1,231,594	-	-	5,106,329
Materials & supplies	5,444,645	108,288	21,044	20,913	-	5,594,890
Depreciation & amortization	7,058,287	-	-	3,425,652	-	10,483,939
Other operating expenses	1,960,936	7,137,837	22,935,039	-	4,143,300	36,177,112
Total operating expenses	<u>17,880,557</u>	<u>7,704,171</u>	<u>24,187,677</u>	<u>3,446,565</u>	<u>4,143,300</u>	<u>57,362,270</u>
Operating income (loss)	<u>3,145,411</u>	<u>56,369</u>	<u>(3,275,758)</u>	<u>228,385</u>	<u>219,491</u>	<u>373,898</u>
Nonoperating revenue (expense)						
Investment income (loss)	2,197,278	1,367,480	898,767	944,551	3,273	5,411,349
Other revenues (expenses)	616,513	156,655	1,922,894	(61,501)	-	2,634,561
Total nonoperating revenue (expense)	<u>2,813,791</u>	<u>1,524,135</u>	<u>2,821,661</u>	<u>883,050</u>	<u>3,273</u>	<u>8,045,910</u>
Income (loss) before transfers and capital contributions	<u>5,959,202</u>	<u>1,580,504</u>	<u>(454,097)</u>	<u>1,111,435</u>	<u>222,764</u>	<u>8,419,808</u>
Transfers in	506,577	347,030	-	894,390	400,570	2,148,567
Transfers out	(2,828)	(92,246)	-	-	-	(95,074)
Capital contributions	<u>1,422,994</u>	<u>-</u>	<u>-</u>	<u>347,947</u>	<u>-</u>	<u>1,770,941</u>
Change in net position	<u>7,885,945</u>	<u>1,835,288</u>	<u>(454,097)</u>	<u>2,353,772</u>	<u>623,334</u>	<u>12,244,242</u>
Total net position, beginning	<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>
Total net position, ending	<u>\$ 98,918,585</u>	<u>\$ 20,957,002</u>	<u>\$ 22,133,538</u>	<u>\$ 38,349,411</u>	<u>\$ 4,266,714</u>	<u>\$ 184,625,250</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 20,996,748	\$ 7,746,409	\$ 21,150,232	\$ 3,674,950	\$ 4,210,786	\$ 57,779,125
Cash paid to suppliers	(7,356,145)	(7,246,125)	(21,044)	(20,913)	-	(14,644,227)
Cash paid to employees	(3,287,569)	(594,061)	(1,258,180)	-	-	(5,139,810)
Cash paid for interfund services used	-	(115,984)	1,042,459	-	(3,844,388)	(2,917,913)
Payments of claims and insurance	-	-	(22,956,460)	-	-	(22,956,460)
Net cash provided by (used in) operating activities	<u>10,353,034</u>	<u>(209,761)</u>	<u>(2,042,993)</u>	<u>3,654,037</u>	<u>366,398</u>	<u>12,120,715</u>
Noncapital financing activities						
Transfers from other funds	(1,475,142)	282,614	(1,204)	894,390	400,570	101,228
Tax and intergovernmental revenues	<u>616,513</u>	<u>156,655</u>	<u>1,922,894</u>	<u>(61,501)</u>	<u>-</u>	<u>2,634,561</u>
Net cash provided by (used in) noncapital financing activities	<u>(858,629)</u>	<u>439,269</u>	<u>1,921,690</u>	<u>832,889</u>	<u>400,570</u>	<u>2,735,789</u>
Capital and related financing activities						
Acquisition and construction of capital assets	(7,458,594)	-	-	(2,705,463)	-	(10,164,057)
Capital contributions	<u>1,422,994</u>	<u>-</u>	<u>-</u>	<u>347,947</u>	<u>-</u>	<u>1,770,941</u>
Net cash provided by (used in) capital and related financing activities	<u>(6,035,600)</u>	<u>-</u>	<u>-</u>	<u>(2,357,516)</u>	<u>-</u>	<u>(8,393,116)</u>
Investing activities						
Sales of investments	-	-	-	-	-	-
Purchases of investments	(7,820,019)	(1,116,274)	(263,765)	(3,073,306)	41,294	(12,232,070)
Investment earnings	2,197,278	1,367,480	898,767	944,551	3,273	5,411,349
Net change in equity investment in joint venture	-	-	-	-	(39,075)	(39,075)
Net cash provided by (used in) investing activities	<u>(5,622,741)</u>	<u>251,206</u>	<u>635,002</u>	<u>(2,128,755)</u>	<u>5,492</u>	<u>(6,859,796)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,163,936)</u>	<u>480,714</u>	<u>513,699</u>	<u>655</u>	<u>772,460</u>	<u>(396,408)</u>
Cash and cash equivalents						
Beginning 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>
End of year	<u>\$ 595,139</u>	<u>\$ 480,914</u>	<u>\$ 521,139</u>	<u>\$ 1,150</u>	<u>\$ 2,861,199</u>	<u>\$ 4,459,541</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<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)	\$ 3,145,411	\$ 56,369	\$ (3,275,758)	\$ 228,385	\$ 219,491	\$ 373,898
Adjustments to reconcile operating income (loss)						
to net cash provided by (used in) operating						
activities:						
Depreciation	7,058,287	-	-	3,425,652	-	10,483,939
Pension expense (income)	212,188	(125,823)	(26,586)	-	-	59,779
Change in assets and liabilities						
(Increase) decrease in receivables	(29,220)	(14,131)	238,313	-	(152,005)	42,957
(Increase) decrease in inventories	(43,895)	-	-	-	-	(43,895)
Increase (decrease) in accounts payable	93,331	(115,984)	1,042,459	-	298,912	1,318,718
Increase (decrease) in accrued expenses	(83,068)	(10,192)	(21,421)	-	-	(114,681)
Total adjustments	<u>7,207,623</u>	<u>(266,130)</u>	<u>1,232,765</u>	<u>3,425,652</u>	<u>146,907</u>	<u>11,746,817</u>
Net cash provided by (used in) operating activities	<u>\$ 10,353,034</u>	<u>\$ (209,761)</u>	<u>\$ (2,042,993)</u>	<u>\$ 3,654,037</u>	<u>\$ 366,398</u>	<u>\$ 12,120,715</u>

THIS PAGE IS LEFT BLANK INTENTIONALLY

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, 2023

	City Choice Plus	Employee Health Savings Fund	Total Custodial Funds
Assets			
Cash	\$ 100	\$ 925,306	\$ 925,406
State & municipal government securities	190,495	-	190,495
Accounts receivable	318,588	-	318,588
Total current assets	<u>\$ 509,183</u>	<u>\$ 925,306</u>	<u>\$ 1,434,489</u>
Liabilities			
Due to component unit	\$ 92,437	\$ -	\$ 92,437
	<u>92,437</u>	<u>-</u>	<u>92,437</u>
Net Position			
Health care claims	416,746	\$ 925,306	\$ 1,342,052
Total net position	<u>\$ 416,746</u>	<u>\$ 925,306</u>	<u>\$ 1,342,052</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	City Choice Plus	Employee Health Savings Fund	Total Custodial Funds
Additions			
Employer contributions	660,035	359,452	1,019,487
Total contributions	660,035	359,452	1,019,487
Total additions	660,035	359,452	1,019,487
Deductions			
Benefits paid	671,778	451,121	1,122,899
Total deductions	671,778	451,121	1,122,899
Change in net position	(11,743)	(91,669)	(103,412)
Total net position - beginning	428,489	1,016,975	1,445,464
Total net position - ending	\$ 416,746	\$ 925,306	\$ 1,342,052

THIS PAGE IS LEFT BLANK INTENTIONALLY



COMPONENT UNIT

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
JUNE 30, 2023

Assets

Current assets:

Cash & temporary investments	\$ 2,556,118
Investments	1,941,819
Accounts receivable	20,038,122
Due from fiduciary fund	92,437
Inventories	<u>1,927,597</u>
Total current assets	<u>26,556,093</u>

Noncurrent assets:

Land and site improvements	2,199,236
Buildings and improvements	35,105,334
Equipment, furniture and fixtures	56,595,261
Infrastructure and site improvements	557,914
Construction in progress	2,875,106
Less: accumulated depreciation	<u>(51,012,099)</u>
Total capital assets (net of accumulated depreciation)	<u>46,320,752</u>
Total assets	<u>72,876,845</u>

Liabilities

Current liabilities:

Accounts payable	291,589
Accrued liabilities	570,911
Due to primary government	<u>11,972,929</u>
Total liabilities	<u>12,835,429</u>

Deferred inflows of resources

Deferred revenue	<u>1,461,436</u>
Total deferred inflows of resources	<u>1,461,436</u>

Net position

Net investment in capital assets	46,320,752
Unrestricted	<u>12,259,228</u>
Total net position	<u>\$ 58,579,980</u>

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2023

Operating revenues

Charges for services	\$ 7,031,290
Total operating revenues	<u>7,031,290</u>

Operating expenses

Personal services	17,843,710
Materials & supplies	5,311,647
Depreciation & amortization	5,126,532
Other operating expenses	<u>8,759,508</u>
Total expenses	<u>37,041,397</u>

Operating loss	<u>(30,010,107)</u>
-----------------------	---------------------

Nonoperating revenue (expense)

Intergovernmental revenue	19,853,503
Other expense	<u>(1,912,311)</u>
Total nonoperating revenue (expense)	<u>17,941,192</u>

Loss before transfers	(12,068,915)
------------------------------	--------------

Transfers in	10,075,500
Transfers out	<u>(14,277)</u>

Change in net position	(2,007,692)
-------------------------------	-------------

Total net position, beginning	<u>60,587,672</u>
--------------------------------------	-------------------

Total net position, ending	<u><u>\$ 58,579,980</u></u>
-----------------------------------	-----------------------------

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2023

Operating activities

Cash received from customers and users	\$ 7,031,290
Cash paid to suppliers	(14,529,730)
Cash paid to employees	<u>(17,775,967)</u>
Net cash used in operating activities	<u>(25,274,407)</u>

Noncapital financing activities

Transfers to primary government	9,993,363
Tax and intergovernmental revenues	<u>17,478,482</u>
Net cash provided by noncapital financing activities	<u>27,471,845</u>

Capital and related financing activities

Acquisition of capital assets	<u>(886,277)</u>
Net cash used in capital and related financing activities	<u>(886,277)</u>

Investing activities

Sales/(purchases) of investments, net	<u>(1,941,819)</u>
Net cash used in investing activities	<u>(1,941,819)</u>

Net decrease in cash and cash equivalents

(630,658)

Cash and cash equivalents

Beginning of year 3,186,776

End of year \$ 2,556,118

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS - Continued
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2023

Reconciliation of operating loss

to net cash used in operating activities

Operating loss	\$ (30,010,107)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	5,126,532
Change in assets and liabilities	
Increase in inventories	(311,497)
Decrease in accounts payable	(147,078)
Increase in accrued expenses	67,743
Total adjustments	<u>4,735,700</u>
Net cash used in operating activities	<u>\$ (25,274,407)</u>

THIS PAGE IS LEFT BLANK INTENTIONALLY

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2023

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Outstanding 7/1/2022:	Issued During Period:	Paid and/or Matured During Period:	Refunded During Period:	Outstanding 6/30/2023:
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	\$ 9,350,000	\$ -	\$ 1,430,000	\$ -	\$ 7,920,000
General Obligation - Refunding Series 2021	81,380,000	3.0 % - 5.0%	2/23/2021	2/1/2041	76,645,000	-	5,650,000	-	70,995,000
General Obligation - Series 2021B	16,700,000	3.0 % - 5.0%	3/30/2022	5/1/2042	16,700,000	-	495,000	-	16,205,000
Total Bonds Payable (Through Debt Service Fund)	<u>\$ 184,647,000</u>				<u>\$ 102,695,000</u>	<u>\$ -</u>	<u>\$ 7,575,000</u>	<u>\$ -</u>	<u>\$ 95,120,000</u>
Note Payable (Through General Fund)	\$ 2,900,000	5%	6/15/2016	7/15/2035	\$ 2,390,000	\$ -	\$ 170,000	\$ -	\$ 2,220,000
Total Governmental Activities	<u>\$ 187,547,000</u>				<u>\$ 105,085,000</u>	<u>\$ -</u>	<u>\$ 7,745,000</u>	<u>\$ -</u>	<u>\$ 97,340,000</u>
Business Type Activities									
Bonds Payable (Through Knoxville Convention Center Fund)		Floating interest rate							
General Obligation - Series A-4-A	59,970,000	3.0 % - 5.0%	11/1/2012	5/25/2032	\$ 59,970,000	\$ -	\$ -	\$ 59,970,000	\$ -
General Obligation - Refunding Series 2022	60,065,000	4%	9/1/2022	6/1/2032	-	60,065,000	-	-	60,065,000
General Obligation - Refunding Series 2021	21,005,000	3.0 % - 5.0%	2/23/2021	2/1/2041	15,630,000	-	5,900,000	-	9,730,000
Total Bonds Payable (Through Knoxville Convention Center Fund)	<u>\$ 172,785,000</u>				<u>\$ 75,600,000</u>	<u>\$ 60,065,000</u>	<u>\$ 5,900,000</u>	<u>\$ 59,970,000</u>	<u>\$ 69,795,000</u>
Total Business Type Activities	<u>\$ 172,785,000</u>				<u>\$ 75,600,000</u>	<u>\$ 60,065,000</u>	<u>\$ 5,900,000</u>	<u>\$ 59,970,000</u>	<u>\$ 69,795,000</u>

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

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

Governmental Activities

For the Year Ended June 30,	\$14,625,000 General Obligation Bonds Series 2018, Dated 6/19/2018		81,380,000 General Obligation Refunding Bonds Series 2021, Dated 2/23/2021		\$16,700,000 General Obligation Bonds Series 2021B, Dated 3/30/2020		\$2,900,000 Note Payable (Payable Through General Fund)		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023-2024	\$ 1,465,000	\$ 299,300	\$ 5,960,000	\$ 2,852,450	\$ 575,000	\$ 589,400	\$ 170,000	\$ 2,225	\$ 8,170,000	\$ 3,743,375
2024-2025	1,505,000	255,350	4,850,000	2,554,450	605,000	560,650	170,000	2,268	7,130,000	3,370,450
2025-2026	1,580,000	180,100	3,350,000	2,311,950	635,000	530,400	170,000	2,327	5,735,000	3,022,450
2026-2027	1,660,000	101,100	3,525,000	2,144,450	665,000	498,650	170,000	2,431	6,020,000	2,744,200
2027-2028	1,710,000	51,300	3,745,000	1,968,200	700,000	465,400	170,000	2,440	6,325,000	2,484,900
2028-2029	-	-	3,925,000	1,780,950	735,000	430,400	170,000	2,537	4,830,000	2,211,350
2029-2030	-	-	4,120,000	1,584,700	760,000	401,000	170,000	2,707	5,050,000	1,985,700
2030-2031	-	-	4,370,000	1,378,700	790,000	370,600	170,000	2,750	5,330,000	1,749,300
2031-2032	-	-	4,570,000	1,160,200	825,000	339,000	170,000	2,792	5,565,000	1,499,200
2032-2033	-	-	4,740,000	977,400	855,000	306,000	170,000	2,835	5,765,000	1,283,400
2033-2034	-	-	4,915,000	835,200	890,000	271,800	170,000	2,877	5,975,000	1,107,000
2034-2035	-	-	2,990,000	687,750	920,000	245,100	170,000	2,919	4,080,000	932,850
2035-2036	-	-	3,080,000	598,050	945,000	217,500	180,000	3,136	4,205,000	815,550
2036-2037	-	-	3,175,000	505,650	975,000	189,150	-	-	4,150,000	694,800
2037-2038	-	-	3,270,000	410,400	1,005,000	159,900	-	-	4,275,000	570,300
2038-2039	-	-	3,365,000	312,300	1,035,000	129,750	-	-	4,400,000	442,050
2039-2040	-	-	3,470,000	211,350	1,065,000	98,700	-	-	4,535,000	310,050
2039-2041	-	-	3,575,000	107,250	1,095,000	66,750	-	-	4,670,000	174,000
2039-2042	-	-	-	-	1,130,000	33,900	-	-	1,130,000	33,900
	<u>\$ 7,920,000</u>	<u>\$ 887,150</u>	<u>\$ 70,995,000</u>	<u>\$ 22,381,400</u>	<u>\$ 16,205,000</u>	<u>\$ 5,904,050</u>	<u>\$ 2,220,000</u>	<u>\$ 34,244</u>	<u>\$ 97,340,000</u>	<u>\$ 29,174,825</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

Business-Type Activities

For the Year Ended June 30,	\$21,005,000 General Obligation Refunding Bonds Series 2021, Dated 2/23/2021		\$60,065,000 General Obligation Refunding Bonds Series 2022, Dated 9/1/2022		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2023-2024	\$ 6,210,000	\$ 486,500	\$ -	\$ 2,402,600	\$ 6,210,000	\$ 2,889,100
2024-2025	3,520,000	176,000	1,070,000	2,402,600	4,590,000	2,578,600
2025-2026	-	-	7,475,000	2,359,800	7,475,000	2,359,800
2026-2027	-	-	7,775,000	2,060,800	7,775,000	2,060,800
2027-2028	-	-	8,085,000	1,749,800	8,085,000	1,749,800
2028-2029	-	-	8,405,000	1,426,400	8,405,000	1,426,400
2029-2030	-	-	8,740,000	1,090,200	8,740,000	1,090,200
2030-2031	-	-	9,080,000	740,600	9,080,000	740,600
2031-2032	-	-	9,435,000	377,400	9,435,000	377,400
	<u>\$ 9,730,000</u>	<u>\$ 662,500</u>	<u>\$ 60,065,000</u>	<u>\$ 14,610,200</u>	<u>\$ 69,795,000</u>	<u>\$ 15,272,700</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
JUNE 30, 2023

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Restated Outstanding 7/1/2022:	Issued During Period:	Paid and/or Matured During Period:	Outstanding 6/30/2023:
Governmental Activities								
LEASES PAYABLE								
Payable through General Fund								
Emporium Lease	3,020,698	2.50%	7/1/2021	6/30/2030	\$ 2,746,204	\$ -	\$ 288,912	\$ 2,457,292
Total Lease Payable	<u>\$ 3,020,698</u>				<u>\$ 2,746,204</u>	<u>\$ -</u>	<u>\$ 288,912</u>	<u>\$ 2,457,292</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF LEASE REQUIREMENTS BY YEAR
JUNE 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,457,292</u>	<u>\$ 229,141</u>	<u>\$ 2,686,433</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Tax Year June 30,	Assessed Values	Direct Tax Rate	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Years	Total Collections to Date		Allowance	Outstanding
					Amount	% of Levy		Amount	% of Levy		
2014	2013	4,505,213	2.3857	107,481	102,862	95.73%	4,346	107,208	99.74%	(273)	-
2015	2014	4,584,732	2.7257	124,620	118,246	96.41%	6,025	124,271	99.72%	(349)	-
2016	2015	4,625,040	2.7257	125,854	120,707	96.24%	4,710	125,417	99.65%	(437)	-
2017	2016	4,670,931	2.7257	128,020	121,450	97.07%	6,074	127,524	99.61%	(496)	-
2018	2017	5,268,679	2.4638	130,264	123,792	96.85%	5,972	129,764	99.62%	(500)	-
2019	2018	5,265,279	2.4638	130,649	125,780	96.69%	4,253	130,033	99.53%	(616)	-
2020	2019	5,322,030	2.4638	131,124	124,047	95.62%	6,233	130,280	99.36%	(844)	-
2021	2020	5,389,055	2.4638	132,776	127,205	96.78%	4,439	131,644	99.15%	(1,132)	-
2022	2021	5,359,188	2.4638	132,040	127,436	95.53%	3,188	130,624	98.68%	(1,320)	96
2023	2022	7,628,597	2.1556	164,442	159,057	94.01%	-	159,057	96.78%	(1,672)	3,713

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.

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Net Position by Component	143
Changes in Net Position	144
Fund Balances of Governmental Funds	145
Changes in Fund Balances, Governmental Funds	146

Revenue Capacity

These schedules contain trend information to help the reader assess the City's most significant revenue source, the property tax.

Assessed and Estimated Actual Value of Taxable Property	147
Property Tax Rates - Direct and Overlapping Governments	148
Principal Property Taxpayers	149

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the government's ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	150
Ratios of General Bonded Debt Outstanding	151
Legal Debt Margin	151
Pledged-Revenue Coverage:	
Knoxville Utilities Board	152
Metropolitan Knoxville Airport Authority	152
Direct and Overlapping Governmental Activities Debt	153

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Demographic and Economic Statistics	154
Principal Employers	155

Operating Information

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.

Full-time Equivalent City Government Employees by Function	156
Operating Indicators by Function	157
Capital Asset Statistics by Function	158

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Invested in capital assets, net of related debt	\$ 231,666	\$ 225,581	\$ 261,956	\$ 298,791	\$ 305,396	\$ 342,292	\$ 369,211	\$ 326,384	\$ 371,712	\$ 414,218
Restricted	49,782	22,870	15,759	12,817	11,984	12,630	13,245	14,068	18,272	18,824
Unrestricted	260,379	162,267	186,985	203,126	209,403	199,406	183,950	250,947	274,736	312,827
Total Governmental Activities Net Position	<u>\$ 541,827</u>	<u>\$ 410,718</u>	<u>\$ 464,700</u>	<u>\$ 514,734</u>	<u>\$ 526,783</u>	<u>\$ 554,328</u>	<u>\$ 566,406</u>	<u>\$ 591,399</u>	<u>\$ 664,720</u>	<u>\$ 745,869</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 29,159	\$ 30,011	\$ 31,484	\$ 35,332	\$ 37,202	\$ 54,237	\$ 61,932	\$ 62,967	\$ 61,691	\$ 60,906
Unrestricted	40,223	42,012	48,363	51,795	70,336	67,766	70,608	71,926	79,229	89,095
Total Business-type Activities Net Position	<u>\$ 69,382</u>	<u>\$ 72,023</u>	<u>\$ 79,847</u>	<u>\$ 87,127</u>	<u>\$ 107,538</u>	<u>\$ 122,003</u>	<u>\$ 132,540</u>	<u>\$ 134,893</u>	<u>\$ 140,920</u>	<u>\$ 150,001</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 260,825	\$ 255,592	\$ 293,440	\$ 334,123	\$ 342,598	\$ 396,529	\$ 431,143	\$ 389,351	\$ 433,403	\$ 475,124
Restricted	49,782	22,870	15,759	12,817	11,984	12,630	13,245	14,068	18,272	18,824
Unrestricted	300,602	204,279	235,348	254,921	279,739	267,172	254,558	322,873	353,965	401,922
Total Primary Government Net Position	<u>\$ 611,209</u>	<u>\$ 482,741</u>	<u>\$ 544,547</u>	<u>\$ 601,861</u>	<u>\$ 634,321</u>	<u>\$ 676,331</u>	<u>\$ 698,946</u>	<u>\$ 726,292</u>	<u>\$ 805,640</u>	<u>\$ 895,870</u>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
General government	\$ 32,702	\$ 16,347	\$ 20,697	\$ 24,653	\$ 44,384	\$ 47,664	\$ 56,493	\$ 56,147	\$ 47,471	\$ 60,899
Public safety	89,816	91,659	95,864	100,752	95,748	98,472	109,806	112,691	99,880	129,522
Physical environment	51,368	49,559	51,100	54,041	53,452	53,906	55,246	56,076	56,689	61,674
Transportation	11,048	10,866	10,589	11,016	13,307	14,135	11,081	5,947	3,373	1,342
Economic Development	8,752	10,550	19,843	13,499	10,570	12,951	14,444	16,534	16,886	17,383
Parks & Recreation	10,345	10,723	9,586	9,936	11,474	11,799	12,979	12,490	13,285	14,460
Health & Sanitation	10,688	10,274	10,414	9,738	8,766	9,545	9,964	10,087	10,571	11,520
Interest on long-term debt	1,827	2,196	2,339	1,998	1,760	2,168	1,854	1,785	4,317	4,167
Total governmental activities expenses	<u>216,546</u>	<u>202,174</u>	<u>220,432</u>	<u>225,633</u>	<u>239,461</u>	<u>250,640</u>	<u>271,867</u>	<u>271,757</u>	<u>252,472</u>	<u>300,967</u>
Business-type Activities:										
Metro parking	5,689	2,721	2,372	3,475	5,364	4,087	5,231	4,788	4,220	4,348
Public assembly facilities	5,751	4,563	3,888	5,584	6,937	3,351	9,060	4,837	8,789	9,798
Knoxville Convention Center	16,716	17,530	16,909	17,735	19,549	18,482	19,402	14,968	17,013	22,701
Municipal Golf Courses	1,427	1,457	1,597	1,076	1,255	1,382	1,244	1,573	1,676	1,825
Total business-type activities	<u>29,583</u>	<u>26,271</u>	<u>24,766</u>	<u>27,870</u>	<u>33,105</u>	<u>27,302</u>	<u>34,937</u>	<u>26,166</u>	<u>31,698</u>	<u>38,670</u>
Total primary government	<u>\$ 246,129</u>	<u>\$ 228,445</u>	<u>\$ 245,198</u>	<u>\$ 253,503</u>	<u>\$ 272,566</u>	<u>\$ 277,942</u>	<u>\$ 306,804</u>	<u>\$ 297,923</u>	<u>\$ 284,170</u>	<u>\$ 339,638</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	\$ 2,339	\$ 1,923	\$ 1,726	\$ 1,259	\$ 1,228	\$ 1,298	\$ 975	\$ 1,145	\$ 1,246	\$ 1,645
Public safety	6,114	6,263	6,259	7,224	6,900	7,214	6,197	6,300	6,235	6,135
Physical environment	1,583	761	1,261	1,523	1,674	2,132	2,304	2,426	2,748	2,865
Transportation	635	729	630	406	443	484	347	354	406	433
Economic Development	355	578	172	408	144	283	99	522	5	11
Parks & recreation	583	630	642	669	754	735	472	402	583	675
Health & sanitation	36	41	33	40	36	38	47	51	61	35
Operating grants and contributions	8,409	7,710	7,893	9,103	6,632	5,754	5,915	8,332	8,653	31,504
Capital grants and contributions	4,693	6,658	11,573	14,262	7,608	7,852	8,406	14,262	7,037	7,651
Total governmental activities program revenues	<u>24,747</u>	<u>25,293</u>	<u>30,189</u>	<u>34,894</u>	<u>25,419</u>	<u>25,790</u>	<u>24,762</u>	<u>33,794</u>	<u>26,974</u>	<u>50,954</u>
Business-type Activities:										
Charges for Services:										
Metro parking	1,546	1,539	1,796	2,182	4,014	4,295	3,945	3,339	3,709	4,123
Public assembly facilities	1,952	1,786	1,630	2,993	3,579	3,658	2,788	1,237	4,850	5,057
Knoxville Convention Center	4,755	4,438	4,651	5,420	5,436	5,722	4,645	1,405	4,704	7,449
Municipal Golf Courses	1,317	1,082	1,048	1,043	982	956	1,110	1,469	1,569	1,671
Operating grants and contributions	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total business-type activities program revenues	<u>11,070</u>	<u>10,345</u>	<u>10,625</u>	<u>13,138</u>	<u>15,511</u>	<u>16,131</u>	<u>13,988</u>	<u>8,950</u>	<u>16,332</u>	<u>19,800</u>
Total primary government program revenues	<u>\$ 35,817</u>	<u>\$ 35,638</u>	<u>\$ 40,814</u>	<u>\$ 48,032</u>	<u>\$ 40,930</u>	<u>\$ 41,921</u>	<u>\$ 38,750</u>	<u>\$ 42,744</u>	<u>\$ 43,306</u>	<u>\$ 70,754</u>
Net expense:										
Governmental Activities	\$ 191,799	\$ 176,881	\$ 190,243	\$ 190,739	\$ 214,042	\$ 224,850	\$ 247,105	\$ 237,963	\$ 225,498	\$ 250,013
Business-type Activities	18,513	15,926	14,141	14,732	17,594	11,171	20,949	17,216	15,366	18,870
Total primary government net expense	<u>\$ 210,312</u>	<u>\$ 192,807</u>	<u>\$ 204,384</u>	<u>\$ 205,471</u>	<u>\$ 231,636</u>	<u>\$ 236,021</u>	<u>\$ 268,054</u>	<u>\$ 255,179</u>	<u>\$ 240,864</u>	<u>\$ 268,883</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	\$ 123,072	\$ 140,772	\$ 144,263	\$ 145,721	\$ 148,287	\$ 150,054	\$ 153,503	\$ 153,933	\$ 156,175	\$ 189,997
Intergovernmental revenues	65,910	67,588	76,727	74,157	77,633	72,959	73,257	85,534	114,046	97,186
Other taxes	20,053	20,844	21,986	22,159	23,153	23,752	25,425	26,442	29,341	31,242
Other revenue	4,062	3,941	8,440	4,866	7,470	13,913	13,383	3,908	4,598	31,141
Transfers	(8,612)	(9,653)	(7,191)	(6,129)	(19,855)	(8,284)	(6,386)	(6,861)	(10,854)	(18,404)
Total governmental activities	<u>204,485</u>	<u>223,492</u>	<u>244,225</u>	<u>240,774</u>	<u>236,688</u>	<u>252,394</u>	<u>259,182</u>	<u>262,956</u>	<u>293,306</u>	<u>331,162</u>
Business-type Activities:										
Intergovernmental revenues	4,888	3,451	7,042	6,983	9,779	8,087	17,685	7,879	1,107	5,500
Other taxes	5,395	5,921	6,903	6,756	7,009	7,195	6,101	4,315	8,408	10,390
Other revenue	1,182	1,352	829	2,143	1,363	2,070	1,314	512	1,023	3,720
Transfers	8,612	9,653	7,191	6,129	19,855	8,284	6,386	6,861	10,854	8,343
Total business-type activities	<u>20,077</u>	<u>20,377</u>	<u>21,965</u>	<u>22,011</u>	<u>38,006</u>	<u>25,636</u>	<u>31,486</u>	<u>19,567</u>	<u>21,392</u>	<u>27,952</u>
Total primary government	<u>224,562</u>	<u>243,869</u>	<u>266,190</u>	<u>262,785</u>	<u>274,694</u>	<u>278,030</u>	<u>290,668</u>	<u>282,523</u>	<u>314,698</u>	<u>359,113</u>
Changes in Net Position										
Governmental activities	\$ 12,686	\$ 46,611	\$ 53,982	\$ 50,035	\$ 22,646	\$ 27,544	\$ 12,077	\$ 24,993	\$ 67,808	\$ 81,148
Business-type activities	1,564	4,451	7,824	7,279	20,412	14,465	10,537	2,351	6,026	9,082
Total primary government	<u>\$ 14,250</u>	<u>\$ 51,062</u>	<u>\$ 61,806</u>	<u>\$ 57,314</u>	<u>\$ 43,058</u>	<u>\$ 42,009</u>	<u>\$ 22,614</u>	<u>\$ 27,344</u>	<u>\$ 73,834</u>	<u>\$ 90,230</u>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Reserved										
Unreserved										
Nonspendable	\$ 324	\$ 443	\$ 364	\$ 353	\$ 305	\$ 301	\$ 366	\$ 418	\$ 536	\$ 556
Restricted	-	-	-	-	-	-	-	-	1,546	1,598
Committed	40,232	41,469	42,650	48,086	45,875	46,396	47,191	51,468	63,294	68,445
Assigned	2,482	3,353	4,038	20,143	11,778	12,699	21,016	35,875	22,502	26,208
Unassigned	27,958	30,508	38,458	27,757	30,557	27,489	20,052	21,141	26,740	46,837
Total general fund	<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>	<u>\$143,644</u>
All other governmental funds										
Nonspendable/Restricted										
(Reserved/Designated)										
Unreserved, reported in:										
Special Revenue funds										
Debt Service funds										
Capital Projects funds										
Nonspendable	\$ 673	\$ 1,076	\$ 1,122	\$ 856	\$ 1,185	\$ 1,294	\$ 1,131	\$ 1,158	\$ 1,223	\$ 1,019
Restricted	63,370	36,908	24,592	12,193	11,361	12,006	12,622	13,841	16,102	16,589
Committed	93,181	150,904	150,342	133,869	172,508	157,838	146,152	202,795	205,155	209,132
Assigned	-	-	-	16,883	579	651	737	653	653	4,481
Unassigned	-	-	-	-	-	-	-	(433)	-	-
Total all other governmental funds	<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>	<u>\$231,220</u>

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

	2014	2015	2016	2017	Fiscal Year		2020	2021	2022	2023
					2018	2019				
Revenues										
Taxes, assessments, interest & penalties	\$ 184,128	\$ 204,089	\$ 212,108	\$ 212,992	\$ 217,761	\$ 223,517	\$ 225,188	\$ 234,359	\$ 247,503	\$ 287,751
Licenses, permits & inspection charges	2,027	2,266	2,656	3,005	3,052	3,331	3,297	3,300	3,642	3,586
Intergovernmental revenue	34,586	36,125	48,074	45,811	43,520	34,889	35,970	49,044	64,455	63,164
Charges for services	6,263	7,089	6,118	6,728	5,013	5,548	6,305	5,919	5,191	7,139
Fines & forfeitures	3,256	3,247	3,147	3,010	4,190	4,156	3,056	2,738	2,794	2,964
Other	5,524	5,073	8,354	8,350	6,665	12,875	12,565	8,090	6,144	24,673
Total revenues	235,784	257,889	280,457	279,896	280,201	284,316	286,381	303,450	329,729	389,278
Expenditures										
Current:										
General government	16,242	17,000	17,308	17,189	35,610	37,487	55,933	63,232	70,150	49,274
Public safety	89,224	99,871	102,155	103,510	95,559	100,214	109,806	104,511	110,304	119,519
Physical environment	61,475	61,478	63,178	63,287	63,059	64,104	37,098	36,694	39,514	62,406
Parks & recreation	7,976	8,422	8,652	8,721	9,001	9,327	12,979	9,189	9,914	11,257
Economic development	11,896	11,994	22,549	16,902	13,052	15,535	14,444	15,018	17,875	19,262
Other	68	248	-	-	-	-	-	-	-	-
Capital Outlay	25,892	36,163	51,710	53,188	36,657	54,810	48,307	44,296	69,377	59,531
Debt Service:										
Principal	5,291	5,384	6,141	4,998	4,742	6,237	6,506	40,811	6,405	8,720
Interest	1,745	2,136	2,328	2,039	1,789	2,092	1,882	1,709	4,445	4,223
Total expenditures	219,809	242,696	274,021	269,834	259,469	289,806	286,955	315,460	327,984	334,192
Excess of revenues over expenditures	15,975	15,193	6,436	10,062	20,732	(5,490)	(574)	(12,010)	1,745	55,087
Other Financing Sources (Uses)										
Lease Proceeds	-	31,607	-	-	15,666	-	-	98,363	18,302	2,484
Net proceeds from issuance of debt	-	45,703	39,296	44,200	51,374	40,903	36,922	98,456	69,171	65,155
Transfers in	41,982	(56,061)	(48,827)	(55,688)	(73,764)	(50,887)	(45,755)	(107,159)	(81,403)	(85,613)
Transfers out	(51,648)	(56,061)	(48,827)	(55,688)	(73,764)	(50,887)	(45,755)	(107,159)	(81,403)	(85,613)
Total other financing sources (uses)	(9,666)	21,249	(9,531)	(11,488)	(6,724)	(9,984)	(8,833)	89,660	9,091	(17,974)
Net changes in fund balances	\$ 6,309	\$ 36,442	\$ (3,095)	\$ (1,426)	\$ 14,008	\$ (15,474)	\$ (9,407)	\$ 77,650	\$ 10,836	\$ 37,113
Debt service as a percentage of noncapital	3.6%	3.6%	3.8%	3.2%	2.9%	3.5%	3.5%	15.7%	4.2%	4.7%

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

Fiscal Year	Real Property (1)					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	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value		
	Commercial	Industrial	Residential & Farm	Exempt Properties	Total's	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value	Assessed Taxable Value	Estimated Actual Value		
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	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	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	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	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	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	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	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	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	2.4638	30%
2023	9,745,953	587,950	11,644,018	2,052,004	24,029,925	7,000,919	1,524,262	457,279	309,816	170,399	25,864,003	2.1556	29%

Note:

340,738

325,945

(1) Assessed by the Knox County Property Assessor's Office

2.12%

1.84%

(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	
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
2023	1.9986	0.1570	2.1556	0.8900	0.4300	0.8000	2.1200	4.2756

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

Taxpayer	Type of Business	2023			2014		
		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	\$ 51,749	1	0.68%	\$ 123,649	2	2.87%
First American National Bank	Financial Services	49,405	2	0.65%			
AT&T Telecommunications	Telecommunications	49,405	3	0.65%	125,528	1	2.92%
Fort Sanders Regional Medical Center	Medical Services	43,370	4	0.57%	98,009	4	2.28%
Hart TC I-II LLC	Property Management	38,094	5	0.50%	54,374	10	1.26%
West Town Mall	Retail	34,006	6	0.45%	71,550	6	1.66%
Pilot Corp.	Oil	33,394	7	0.44%			
Scripps	Media	33,299	8	0.44%	87,207	5	2.03%
Kroger	Retail / Grocery	31,697	9	0.42%	65,852	7	1.53%
705 S 17th St	Property Management	26,453	10	0.35%			
Target		21,211		0.28%	59,996	9	1.39%
DDRTC Turkey Creek LLC		17,967		0.24%	50,194	8	1.17%
		<u>\$ 430,050</u>		<u>5.64%</u>	<u>\$ 736,359</u>		<u>17.10%</u>

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	Lease Liability	SBITA Liability	Debt Participation Agreement
2012	50,562	6,219	56,781	-	-	-	-
2013	50,823	5,673	56,496	-	-	-	-
2014	39,858	5,131	44,989	-	-	-	-
2015	65,555	5,089	70,644	-	-	-	-
2016	60,239	4,520	64,759	825	-	-	-
2017	54,417	3,951	58,368	2,900	-	-	-
2018	64,299	4,422	68,721	2,900	-	-	-
2019	58,062	3,749	61,811	2,900	-	-	-
2020	51,556	3,076	54,632	2,730	-	-	-
2021	92,125	19,655	111,780	2,560	-	-	-
2022	102,695	17,931	120,626	2,390	2,746	-	-
2023	95,120	16,903	112,023	2,220	2,457	1,628	-

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	Lease Liability	SBITA Liability	Total Primary Government ⁽¹⁾	Personal Income ⁽²⁾	Per Capita ⁽²⁾
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	75,600	3,022	78,622	-	-	-	192,962	3.82%	1,025.93
2022	75,600	2,235	77,835	-	-	-	203,597	3.65%	1,047.84
2023	69,795	2,118	71,913	-	-	-	190,241	3.27%	971.17

Note:

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

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

CITY OF KNOXVILLE, TENNESSEE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS
(unaudited - amounts expressed in thousands, except for per capita amounts)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Taxable Value of Property	Per Capita
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%	588.39
2023	164,915	56,905	108,010	1.42%	551.38

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)**

Fiscal Year	Gross Revenue	Expenses (net of depreciation and interest)	Net Revenue Available for Debt Service	Debt Service	Revenue Bond Coverage
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	611,352	211,776	88,313	2.40
2022	906,822	698,239	208,583	82,003	2.54
2023	981,641	784,803	196,838	86,821	2.27

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

Fiscal Year	Gross Revenue (net of grant receipts)	Expenses (net of depreciation and interest)	Net Revenue Available for Debt Service	Debt Service	Revenue Bond Coverage
2014	30,080	18,785	11,295	6,378	1.77
2015	31,119	19,612	11,507	6,368	1.81
2016	32,147	20,192	11,955	6,477	1.85
2017	33,240	21,329	11,911	6,799	1.75
2018	35,416	21,709	13,707	6,907	1.98
2019	39,944	23,615	16,329	7,104	2.30
2020	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
2023	55,044	28,120	26,924	6,091	4.42

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2023
(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	\$ 118,328	100.00%	\$ 118,328
Overlapping Debt:			
Knox County	428,231	39.74%	170,179
Knox County Schools	357,377	39.74%	142,022
Total Overlapping Debt	785,608		312,201
 Total Direct and Overlapping Debt	 \$ 903,936		 \$ 430,529

Note:

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

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

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

Fiscal Year	Population ⁽¹⁾	Personal Income (In \$1,000,000) ⁽²⁾ (MSA)	Per Capita Income ⁽²⁾ (MSA)	Median Age ⁽¹⁾	Education Level - Population 25 & Over ⁽¹⁾				School Enrollment ⁽³⁾ (Knox County)	Average Unemployment Rate ⁽⁴⁾ (MSA)
					High School Graduate or higher	Some College, No Degree	Bachelor's Degree or higher	Master's or Professional Degree		
2013	183,261	31,747.2	38,226	32.9	89.2%	20.2%	30.6%	11.7%	59,236	7.2%
2014	184,292	32,946.3	39,462	32.3	84.6%	19.3%	28.8%	10.4%	59,630	6.2%
2015	185,312	34,562.3	41,134	33.1	88.9%	23.8%	29.2%	12.4%	60,308	5.2%
2016	186,238	35,726.5	42,139	32.4	88.7%	20.3%	35.1%	13.1%	60,372	4.5%
2017	187,344	37,313.0	43,539	31.9	89.2%	20.3%	34.1%	14.0%	59,198	3.5%
2018	187,514	39,926.8	45,883	33.3	89.8%	21.4%	30.3%	12.3%	60,116	3.3%
2019	187,610	42,237.8	48,406	34.2	89.4%	20.6%	32.9%	12.6%	61,545	3.2%
2020	190,740	45,680.3	51,776	32.9	89.8%	20.4%	33.5%	13.3%	59,053	6.2%
2021	192,657	50,967.0	57,057	33.6	89.9%	20.7%	35.2%	13.5%	60,327	3.7%
2022	195,871	52,879.2	58,239	32.5	91.3%	21.2%	32.7%	12.2%	58,873	3.1%
2023(5)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Data Sources

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

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

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

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

(5) Data not yet available at this time

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

Employer's Name	2023			2013		
	Number of Employees (1)	Rank	Percentage of Total Area Employment	Number of Employees	Rank	Percentage of Total Area Employment
Covenant Health	11,357	1	2.60%	9,494	1	11.26%
Knox County Schools	9,558	2	2.19%	6,891	2	8.18%
The University of Tennessee, Knoxville	8,959	3	2.05%	6,400	3	7.59%
Y-12 National Security Complex	7,800	4	1.78%			
Wal-Mart Stores, Inc.	6,863	5	1.57%	4,007	4	4.75%
Oak Ridge National Laboratory	5,772	6	1.32%			
University of Tennessee Medical Center (UHS)	5,387	7	1.23%	3,942	5	4.68%
Clayton Homes, Inc.	5,047	8	1.15%			
DENSO Manufacturing Tennessee, Inc.	5,000	9	1.14%			
Dollywood Co./Dollywood Splash Country	4,500	10	1.03%			
K-VA-T Food				3,924	6	4.66%
Tennova Healthcare				3,857	7	4.58%
State of Tennessee, Regional Offices				3,528	8	4.19%
Knox County Government				2,998	9	3.56%
City of Knoxville				2,811	10	3.33%
 Total Knoxville MSA Laborforce (2)	 437,212			 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	30.5	30.5	31.5	33.5	35.5	35.5	39.5	42.5	42.5	30.0
Finance	48.5	49.0	49.0	49.0	50.0	50.0	45.0	41.0	41.0	59.0
Employee Benefits & Risk Management	-	-	-	-	-	13.0	13.0	13.0	13.0	9.0
Information Systems	30.0	30.0	30.0	30.0	30.0	30.0	29.0	29.0	29.0	24.0
Public Works	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Engineering	89.0	91.5	92.5	92.5	92.0	92.0	93.0	94.0	95.0	89.0
Fleet Services	54.0	54.0	54.0	54.0	54.0	54.0	55.0	54.0	54.0	51.0
Inspections	29.0	29.0	29.0	40.0	40.0	40.0	39.0	40.0	41.0	34.0
Emergency Management	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0
Public Services	305.0	305.0	305.0	292.0	292.0	292.0	292.0	291.0	291.0	273.0
Community Development	23.5	21.5	21.5	21.5	20.0	20.0	20.0	21.0	21.0	17.0
Recreation	52.5	51.5	52.0	51.0	51.0	51.0	50.0	50.0	50.0	50.0
Law	19.0	21.0	21.0	21.0	21.0	13.0	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	375.0
Civilian	109.0	109.0	109.0	109.0	109.0	105.0	105.0	107.0	107	139.0
Subtotal	<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>	<u>514.0</u>
Fire										
Sworn	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327	326.0
Civilian	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10	9.0
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>335.0</u>
Legislative	7.5	7.5	7.5	7.5	8.0	8.0	7.5	7.5	7.5	9.0
City Court	14.5	14.5	14.5	14.5	14.0	14.0	14.5	14.5	14.5	10.0
Civil Service	10.0	10.0	10.0	10.0	10.0	10.0	10.0	6.0	6.0	6.0
Human Resources	-	-	-	-	-	-	-	6.0	6.0	8.0
Public Assembly Facilities	36.0	34.5	34.5	-	-	-	-	-	-	-
GRAND TOTAL	<u><u>1,616.0</u></u>	<u><u>1,615.5</u></u>	<u><u>1,618.0</u></u>	<u><u>1,582.5</u></u>	<u><u>1,583.5</u></u>	<u><u>1,584.5</u></u>	<u><u>1,582.5</u></u>	<u><u>1,588.5</u></u>	<u><u>1,589.5</u></u>	<u><u>1,536.0</u></u>

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

Department	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Public Safety										
Police										
Arrests	11,484	11,900	12,453	10,604	10,691	10,425	8,558	8,230	9,951	8,149
Citations	96,147	88,731	68,374	49,585	45,462	54,577	38,217	22,916	17,824	25,254
Fire										
Fire Inspections	4,144	3,968	3,162	3,366	3,438	2,707	2,264	1,526	2,039	2,175
Alarms Attended	21,644	20,788	22,346	21,647	14,107	25,166	24,110	21,184	28,083	31,562
First Responder Calls	10,546	9,214	10,307	9,573	10,623	10,613	7,242	7,997	14,572	14,529
Engineering										
Miles of Streets Resurfaced	46	43	40	59	50	58	38	24	26	49
Parks & Recreation										
Recreation Center Participants	495,231	472,613	480,993	496,683	440,977	417,903	290,231	166,953	169,476	197,125
Service										
Pothole Repairs	357	204	197	480	945	1,102	621	797	3,087	4,140

Sources: Various city departments

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

Department	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
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	30,211	30,232	30,250	30,299	30,314	30,159	29,757	28,574	28,607	28,612
Miles of Streets Maintained	1,178	1,179	1,179	1,175	1,175	1,174	1,174	1,174	1,174	1,174
Parks & Recreation										
Recreation Centers	12	12	14	16	16	18	18	18	18	16
Parks	82	81	81	93	94	94	94	95	93	97
Park Acreage	2,000	2,828	2,828	3,102	3,102	3,102	3,102	3,138	2,266	2,329
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	67	47	47	45	45	45	45	45	45	46
Miles of Greenway	86	86	86	113	113	113	113	113	119	129
Golf Courses	3	3	3	3	3	3	3	3	3	3
Pickleball Courts	-	-	10	10	10	10	10	10	10	10
Other Buildings										11
Metro Parking										
Parking Garages	5	5	5	5	6	6	6	6	5	7
Parking Lots	8	8	9	9	10	10	11	11	11	15
Total Spaces	4,529	4,529	4,688	4,673	5,515	6,151	6,066	5,804	5,822	7,374
Fleet										
Garages	2	2	2	2	2	2	2	2	2	2
Vehicles Maintained	1,538	1,552	1,562	1,510	1,524	1,532	1,561	1,509	1,570	1,575

Sources: Various City Departments



COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2023

Table of Contents

	<u>Page</u>
Schedule of Expenditures of Federal and State Awards	159
Notes to the Schedule of Expenditures of Federal and State Awards	163
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 <i>Government Auditing Standards</i>	164
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	166
Schedule of Findings and Questioned Costs	169
Summary Schedule of Prior Audit Findings and Questioned Costs	171

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Agriculture	FEDERAL ASSISTANCE				
<u>Direct assistance</u>					
	USDA Composting and Waste Reduction Act	10.935 NR233A750005C004		\$ 15,201	\$ -
		10.935		15,201	-
Total U.S. Department of Housing and Urban Development				15,201	-
U.S. Department of Housing and Urban Development					
<u>Direct assistance</u>					
	Community Development Block Grant 2017	14.218 B-17-MC-47-0005		2,092	-
	Community Development Block Grant 2018	14.218 B-18-MC-47-0005		41,690	41,690
	Community Development Block Grant 2019	14.218 B-19-MC-47-0005		105,483	105,483
	Community Development Block Grant 2020	14.218 B-20-MC-47-0005		285,022	285,022
	Community Development Block Grant 2021	14.218 B-21-MC-47-0005		175,815	103,900
	Community Development Block Grant 2022	14.218 B-22-MC-47-0005		1,246,558	716,693
	Community Development Block Grant 2022 Program Income	14.218 B-22-MC-47-0005		106,672	106,672
	Community Development Block Grant Coronavirus Funding	14.218 B-20-MW-47-0005		916,460	807,931
	Community Development Block Grant/Section 108	14.218 B-15-MC-47-0005		240,656	-
		14.218		3,120,448	2,167,391
	Emergency Solutions Grant 2021	14.231 E-21-MC-47-0005		13,347	13,347
	Emergency Solutions Grant 2022	14.231 E-22-MC-47-0005		151,967	140,530
	Emergency Solutions Grant Coronavirus Funding	14.231 E-20-MW-47-0005		903,486	878,803
<u>Passed through from</u>					
Tennessee Housing Development Agency	Emergency Solutions Grant (THDA)	14.231 ESG-CV2-53		77,635	77,635
		14.231		1,146,435	1,110,315
<u>Direct assistance</u>					
	Home Investment Partnerships Program 2019	14.239 M-19-MC-47-0201		4,245	-
	Home Investment Partnerships Program 2019 Program Income	14.239 M-19-MC-47-0201		47,506	-
	Home Investment Partnerships Program 2019 Recaptured Funds	14.239 M-19-MC-47-0201		24,605	-
	Home Investment Partnerships Program 2020	14.239 M-20-MC-47-0201		511,103	-
	Home Investment Partnerships Program 2020 Program Income	14.239 M-20-MC-47-0201		531,904	-
	Home Investment Partnerships Program 2020 Recaptured Funds	14.239 M-20-MC-47-0201		22,717	-
	Home Investment Partnerships Program 2021	14.239 M-21-MC-47-0201		213,375	-
	Home Investment Partnerships Program 2021 Program Income	14.239 M-21-MC-47-0201		45,666	-
	Home Investment Partnerships Program 2022	14.239 M-22-MC-47-0201		223,008	-
	Home Investment Partnerships Program 2022 Program Income	14.239 M-22-MC-47-0201		45,681	-
	Home Investment Partnerships Program - ARPA	14.239 M-21-MP-47-0201		4,641	-
		14.239		1,674,451	-
	Lead Hazard Control Grant	14.900 TNLHB0705-18		745,746	634,731
		14.900		745,746	634,731
Total U.S. Department of Housing and Urban Development				6,687,080	3,912,437
U.S. Department of Justice					
<u>Direct assistance</u>					
	2021 Kevin and Avonte Program	16.015 15PBJA-21-GG-02970-MAPX		20,601	-
		16.015		20,601	-
	2020 Coronavirus Emergency Supplemental Funding Program	16.034 2020-VD-BX-0506		67,190	-
	2022 Coronavirus Emergency Supplemental Funding Program	16.034 2020-VD-BX-0393		24,972	-
		16.034		92,162	-
	2021 Bulletproof Vest Partnership	16.607 2021-BO-BX-21025290		10,519	-
		16.607		10,519	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
	2020 Project Safe Neighborhood Eastern District	16.609 2018-GP-BX-0074		974	-
		16.609		974	-
	2018 JAG/Byrne Grant	16.738 2018-DJ-BX-0710		82,097	77,284
	2019 JAG/Byrne Grant	16.738 2019-DJ-BX-0764		40,212	-
	2020 JAG/Byrne Grant	16.738 2020-DJ-BX-0229		41,862	41,862
		16.738		164,171	119,146
	Body Worn Camera Policy and Implementation Program	16.835 2020-BC-BX-0025		66,000	
		16.835		66,000	-
	Equitable Sharing Program/MLARS	16.922		171,527	-
		16.922		171,527	-
<u>Passed through from</u>					
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		13,974	-
Office of Juvenile Justice & Delinquency Prevention	2019 Federal ICAC Grant	16.543 2019-MC-FX-K013		254,132	
Office of Juvenile Justice & Delinquency Prevention	2022 Federal ICAC Task Force	16.543 15PJDP-22-GK-04882-MECP		287,885	-
		16.543		555,991	-
Office of Criminal Justice Programs	2020 VOCA - Law Enforcement Victim Coordinator	16.575 2020-V2-GX-0012; Edison ID 41637		135,498	-
		16.575		135,498	-
Office of Community Oriented Policing Service	2020 Law Enforcement Mental Health & Wellness	16.710 2020-MH-WX-K034		38,350	-
Office of Community Oriented Policing Service	2021 Law Enforcement Mental Health and Wellness Act	16.710 15JCOPS-21-GG-02170-SLEM		52,242	-
Office of Community Oriented Policing Service	2020 COPS School Violence Prevention Program	16.710 2020-SV-WX-0036		50,782	42,097
Office of Community Oriented Policing Service	2021 De-Escalation Grant	16.710 15JCOPS-21-GG-02437-SPPS		3,208	-
Office of Community Oriented Policing Service	2022 De-Escalation Grant	16.710 15JCOPS-22-GG-04820-PPSE		3,992	-
		16.710		148,574	42,097
Total U.S. Department of Justice				1,366,017	161,243
U.S. Department of Transportation					
<u>Direct assistance</u>					
Federal Transit Cluster	2018 STP Flexfunds for KAT Implementation of ITS Technologies	20.507 TN-2018-034-00		204,916	-
	5307 CMAQ FLEX funds for Electric Bus Purchase	20.507 TN-2020-007-00		71,190	-
	FY2020 LSTBG Flex Funds	20.507 TN-2020-034-00		1,373	
	FY2022 LSTBG Flexfunds	20.507 TN-2022-024-00		234,222	
	FY2020 Formula Grant (5307)	20.507 TN-2020-036-00		1,791	
	FY2021 Formula Grant (5307)	20.507 TN-2021-048-00		5,758	
	FY2022 Formula Grant (5307)	20.507 TN-2023-021-00		1,809,164	
	FY2023 Formula Grant (5307)	20.507 Grant number pending		4,867,168	
	American Rescue Plan Act (ARPA) Formula Grant (5307)	20.507 TN-2022-003-00		4,349,596	
		20.507		11,545,178	-
	FFY 2018 5339 Capital Grant	20.526 TN-2019-006-00		362,697	-
	FY19 5339 Grant for Capital Projects	20.526 TN-2019-033-00		10,862	
	FY20 5339 Grant for Capital Projects	20.526 TN-2020-035-01		87,494	
	FY 2021 5339 Capital Projects	20.526 TN-2021-039-00		62,099	-
		20.526		523,152	-
Total Federal Transit Cluster				12,068,330	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Grantor Agency	Program Title	Assistance Listing Number	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	70,063	-
Tennessee Department of Transportation	CMAQ funding - Chapman Highway Portion of the ATMS	20.205	CM-9109(172); State 140161	31,902	-
Tennessee Department of Transportation	Broadway Transit Signal Priority (Broadway Bus Corridor/ATMS)	20.205	CM-9109(177); State 170023	83,315	-
Tennessee Department of Transportation	UT ATMS	20.205	CM-9109(186) State 200095	115,221	-
Tennessee Department of Transportation	Jackson Avenue Ramps	20.205	Contract 050113; BRZE-9109(103); PIN 106077.00	18,497	-
Tennessee Department of Transportation	Access Improvements to I-275 Business Park	20.205	Contract 090268; PIN 110262.00	169,380	-
Tennessee Department of Transportation	Blount-Sevier Corridor Improvements/South Waterfront	20.205	STP-EN-9109(173); State 130166; PIN109677.00	59,102	-
Tennessee Department of Transportation	Widening of Pleasant Ridge Road	20.205	STP-EN-9109(53)	233,329	-
Tennessee Department of Transportation	Magnolia Phase 3 - North Bertrand to North Kyle Street	20.205	STP-M-1(421); State 200316; PIN129559.01	17,955	-
Tennessee Department of Transportation	Atlantic Avenue Sidewalk	20.205	STP-M-3789(10); State 180006; PIN 126946.00	1,482,915	-
Tennessee Department of Transportation	Safer and Complete Streets Study	20.205	STP-M-4700(65)	39,090	-
Tennessee Department of Transportation	Papermill Drive Corridor Study	20.205	STP-M-4829(10); State 200106; PIN 130107.00	595	-
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205	STP-M-9109(165); State 140161; PIN 120004.00	73,406	-
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	120,265	-
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205	STP-M-9109(64); State 070099	72,350	-
Tennessee Department of Transportation	Urban Wilderness Corridor Study	20.205	STP-NH-71(43); State 190349	9,788	-
Tennessee Department of Transportation	First Creek Greenway-Broadway Streetscapes	20.205	TAP/STP-M-9109(179); State 170054; PIN 125623.00	13,222	-
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	27,287	-
Tennessee Department of Transportation	Liberty Street Multimodal Improvements	20.205	TAP-STP-M-9115(171); State 150169; PIN 122977.00	61,158	-
Total Highway Planning and Construction		20.205		2,698,840	-
Highway Safety Cluster					
Tennessee Highway Safety Office	FY22 Safe Communities Grant	20.600	Z22-THS154; Edison ID 22-71189	18,239	-
Tennessee Highway Safety Office	FY22 THSO DUI Enforcement, High Visibility and Traffic Services Grant	20.600	Z22-THS155; Edison ID 22-71189	19,621	-
Tennessee Highway Safety Office	FY23 THSO Community-Based Traffic Safety Enforcement and Education	20.600	Z23THS145; Edison ID 23-74579	150,730	-
Tennessee Highway Safety Office	FY23 THSO Safe Communities Grant	20.600	Z23THS146; Edison ID 23-74579	53,231	-
		20.600		241,821	-
Tennessee Highway Safety Office					
	FY23 Pedestrian Safety Grant	20.616	Z23THS369; Edison ID 23-74581	3,451	-
		20.616		3,451	-
Total Highway Safety Cluster				245,272	-
Total U.S. Department of Transportation				15,012,442	-
U.S. Department of Treasury					
<u>Direct assistance</u>					
	Equitable Sharing/TEOAF	21.016		62,089	-
		21.016		62,089	-
Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act					
		21.027		11,896,110	590,000
<u>Passed through from</u>					
<u>Tennessee Department of Environment and Conservation</u>					
	Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act	21.027		40,720	-
		21.027		11,936,830	590,000
Total U.S. Department of Treasury				11,998,919	590,000
U.S. Office of National Drug Control Policy					
<u>Passed through from</u>					
Financial Commission for Appalachia HIDTA	2022 High Intensity Drug Trafficking Areas Program	95.001	G22AP0001A	32,836	-
Financial Commission for Appalachia HIDTA	2023 High Intensity Drug Trafficking Areas Program	95.001	G23AP0001A	42,988	-
		95.001		75,824	-
Total U.S. Office of National Drug Control Policy				75,824	-
U.S. Department of Homeland Security					
<u>Passed through from</u>					
Tennessee Emergency Management Agency	2022 Emergency Management Performance Grant	97.042	EMA-2022-EP-00003-S01; Edison ID 78036-46082	166,030	-
Tennessee Emergency Management Agency	ARPA Emergency Management Performance Grant	97.042	EMA-2021-EP-00020-A03; Edison ID 34101-2023	47,380	-
		97.042		213,410	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
<u>Passed through from</u>					
Passed through Knox County	2020 Homeland Security Grant	97.067	EMW-2020-SS-00007; Edison ID 34101-25521	13,740	-
Passed through Knox County	2021 Homeland Security Grant	97.067	EMW-2021-SS-00007; Edison ID 22-422	1,890	-
		<u>97.067</u>		<u>15,630</u>	<u>-</u>
Total U.S. Department of Homeland Security				<u>229,040</u>	<u>-</u>
Total Federal Assistance				<u>\$ 35,384,523</u>	<u>\$ 4,663,680</u>
STATE ASSISTANCE					
Criminal Justice Program	FY22 State ICAC Appropriation	31701-64013; Edison 69812		\$ 213,491	\$ -
Criminal Justice Program	Violent Crime Intervention Fund (VCIF) Formula Grant	50363		15,780	\$ -
Tennessee Dept of Environment & Conservation	2023 Household Hazardous Waste Grant	32701-04717		13,260	-
Tennessee Department of Finance and Administration	Local Government Recovery and Rebuilding Grant			747,188	-
Tennessee Department of Transportation	State Portion of FY 2020 LSTBG Flex Funds	GG-21-69084		172	-
Tennessee Department of Transportation	State Portion of FY 2022 LSTBG Flex Funds	GG-23-76400		29,278	-
Tennessee Department of Transportation	State Portion of FY 2018 5339 Capital Grant	GG-19-62688		45,337	-
Tennessee Department of Transportation	State Portion of FY19 5339 Grant	GG-20-65175		1,358	-
Tennessee Department of Transportation	State Portion of the FY20 5339 Grant	GG-21-69085		10,937	-
Tennessee Department of Transportation	State Portion of FY 2021 5339 Capital Projects	Z-22-BP00-004		7,762	-
Tennessee Department of Transportation	State portion of 2018 STP Flex funds for KAT Implementation of ITS Technologies	Z-21-5307-04		25,615	-
Tennessee Department of Transportation	State Portion of FY2020 Formula Grant	Z-21-5307-03		364	-
Tennessee Department of Transportation	State Portion of FY2021 Formula Grant	GG-22-74051		719	-
Tennessee Department of Transportation	State Portion of FY2022 Formula Grant	Grant number pending		226,144	-
Tennessee Department of Transportation	State Portion of FY2023 Formula Grant	Grant number pending		608,447	-
Tennessee Department of Transportation	State Portion of 5307 CMAQ FLEX funds for Electric Buses	GG-20-67415		8,899	-
Tennessee Department of Transportation	FY22 IMPROVE Act Capital Assistance	GG-22-69711-00; Edison 69711		5,063	-
Tennessee Department of Transportation	FY23 State Operating Grant (UROP)	47-UROP-S3-020		3,609,300	-
Tennessee Department of Transportation	South Knoxville Bridge Greenway	47LPLM-S3-215; PIN 132924.00		19,520	-
Tennessee Department of Transportation	Chapman Highway Multimodal Grant	47LPLM-S3-166; State 190020; PIN 128590.00		46,822	-
Tennessee Department of Transportation	Kingston Pike Multimodal Transportation Grant	47LPLM-S3-120; PIN 121995.00		53,569	-
Total State Assistance				<u>\$ 5,689,025</u>	<u>\$ -</u>
Total Federal and State Assistance				<u>\$ 41,073,548</u>	<u>\$ 4,663,680</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023. 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, 2023.

<u>Cluster / Program Title</u>	<u>Assistance Listing Number</u>	<u>FY 23 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grants	14.218	\$ 5,950	\$ 3,344,441
Empowerment Zone	14.244	-	85,494
HOME Investment Partnerships Program	14.239	<u>787,619</u>	<u>9,502,496</u>
Total Loans		<u>\$ 793,569</u>	<u>\$12,932,431</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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated, December 29, 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.

Report on 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.



Report on 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.

Nashville, Tennessee
December 29, 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, 2023. 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 \$19,417,539 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2023. 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, 2023.

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.

Nashville, Tennessee
December 29, 2023

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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, 2023 are:

CFDA Number

Name of Federal Program

14.218

Community Development Block Grants/Entitlement Grants

20.205

Highway Planning and Construction

14.239

Home Investment Partnerships Program

21.027

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$1,061,535

Auditee qualified as low-risk auditee?

 yes x no

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2023**

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

None reported

Financial Awards Findings and Questioned Costs

None reported.

Findings and questioned costs required by the State of Tennessee audit manual

None reported