CITY OF KNOXVILLE

MADELINE ROGERO, MAYOR

Comprehensive Annual Financial Report For Fiscal Year Ending June 30, 2019

KNOXVILLE, TENNESSEE

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF KNOXVILLE, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

PREPARED BY:

CITY OF KNOXVILLE FINANCE DEPARTMENT

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CLYDE 'BOE' COLE, CMFO, CGFO
COMPTROLLER

CITY OF KNOXVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR

Jim York
Senior Director of Finance

December 24, 2019

In compliance with the City of Knoxville Charter requirements, I am submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This report discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of the City. I am pleased to report that the financial condition of the City remains strong.

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 the responsibility to ensure that all information included in the Comprehensive Annual Financial Report is complete and accurate. We believe the enclosed data completely and accurately presents the financial condition of the City.

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

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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 operations of the City of Knoxville, as well as its component units. The City provides a full range of services, including, but not limited to, police and fire protection; solid waste collection and disposal; construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. The City also has financial accountability over three component units, Knoxville Utilities Board (KUB), the Metropolitan Knoxville Airport Authority (MKAA), and Knoxville Area Transit (KAT). The financial statements of KUB, MKAA and KAT are included in the body of this report, noted as Component Units on the Government Wide Statements. The financial statements of the City Employees' Pension Trust Fund are 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 elected at large. The mayor and Council members are elected on a non-partisan basis for four-year terms and can serve no more than two consecutive terms. The City Council is responsible, among other things, for passing ordinances, determining policies, and adopting the budget. The mayor is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments.

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Local Economic Condition

The City of Knoxville is the third largest City in the State of Tennessee, having an estimated population of 187,465 (2017 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 area, including portions of Kentucky, North Carolina and Virginia. Its trade sector is one of the strongest in the state.

Knoxville has a diversified economy, with a strong public sector led by the University of Tennessee and the Tennessee Valley Authority, which provide employment stability. The Brookings Institution named Knoxville one of the first three cities in the United States to fully recover from the Recession of 2008-09.

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

Tourism is an economic generator for Knoxville. The Tennessee Department of Tourist Development publication entitled the "2018 Economic Impact of Travel on Tennessee" states that tourists spent a total of $1.174 billion in Knox County in 2018, an increase of 6.9 percent from 2017. Tourism generated a total of $61.07 million in state and $27.58 million in local tax revenues, increases of 5.41 percent and 5.37 percent, respectively. A total of 10,590 Knox Countians are employed in tourism-related fields, which is an increase of 3.36 percent over 2017.

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%. Approximately 71 percent of the taxable sales within the County occur inside the corporate limits of Knoxville. Approximately 72 percent of the taxes collected within the City are distributed to the Knox County School System with the remainder flowing to the City's general fund. 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
2010	$32,654	(4.48%)
2011	$33,849	3.66%
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	$42,726	4.51%

As shown above, in FY19 the City experienced a 4.51% increase in local sales tax, and this growth puts the City back on par with its pre-2017 performance. The spike in 2017 revenues resulted from an agreement between the State of Tennessee and Amazon to levy sales taxes on purchases made through the retailer. Additionally, the nominal growth in 2017 and 2018 resulted from refunds/distributions between Knox County and the City of Knoxville, and these refunds are now complete. We believe we are now back in a normal growth cycle and expect future growth to continue in the two to three percent range per year.

The presence of the University of Tennessee along with Tennessee Valley Authority, Oak Ridge National Laboratory and other large governmental installations lend stability to the area, making the local economy less cyclical than either the national or state economy. In June 2017, the Knoxville metro area's civilian labor force (full and part-time, non-farm, wage and salary employees and self-employed persons) totaled 415,300 workers. Average unemployment rate in the metro area was 4.1 percent, a decline from 4.7 percent in June 2016. Knox County reported a 3.7 percent unemployment in June 2017, down from 4.6 percent in June 2016.

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

The Knoxville Utility Board (KUB) provides electricity, water and wastewater, and gas to more than 464,000 customers in Knoxville and parts of seven surrounding counties. It is comprised of 5 major plants, 297 remote facilities, and employs about 930 people. Functioning with an $867 million operating budget and $2.020 billion in net capital assets, it is the fourth largest customer of the Tennessee Valley Authority.

The McGhee Tyson Airport (MKAA) is served by five major airlines serving 21 non-stop destinations, including Atlanta, Dallas/Ft. Worth, Orlando, Fort Lauderdale, New York, Chicago, Denver and Washington D.C. The direct and indirect economic impact of the airport is estimated by the Metropolitan Knoxville Airport Authority to be approximately $1 billion annually. This figure includes payroll, local spending, transportation cost savings, capital spending and other benefits. To build on our economic success, the City of Knoxville became a part of a regional partnership to attract more air carriers to the airport. The Competitive Airfare Partnership is part of an Innovation Valley strategy to encourage more tourists and visitors to the area and to promote business relocation and industrial development efforts. The partnership is currently engaged in a major fundraising campaign and will use the funds not only assist in recruitment efforts but also in developing a long term communication strategy to garner support from the business community for low fare service.

Knoxville Area Transit (KAT) is the City of Knoxville's transit system, operating buses, trolleys and paratransit service across the city. KAT's funding comes from the City of Knoxville, the state and federal governments and fare revenues. KAT carries over 3 million passenger trips each year, and in 2017 was named the Outstanding Public Transportation System in North America by the American Public Transportation Association in the category of small transit systems. The American Public Transportation Association also awarded KAT the "Gold Safety Award" in 2018 and presented the Distinguished Local Service Award to the Mayor in 2019. KAT's 24-route bus system and 4-route trolley system is based at the Knoxville Station Transit Center, which serves as the major public transportation hub for metropolitan Knoxville. The facility, which opened in 2010, is the city's first Silver LEED certified government building.

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

Knox County is the principal gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. There are over 500,000 acres that make up the nation's most-visited National Park, extending over the States of Tennessee and North Carolina. Between 11 and 12 million people visit the park annually, making it the most visited park in the country. The park provides an economic hub generating over $800 million annually and supports 10,734 jobs in surrounding communities. Two tourist towns are located at the foothills of the Smoky Mountains, Gatlinburg and Pigeon Forge. Gatlinburg has accommodations for over 60,000 people, 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 also a shopper's mecca and has accommodations for approximately 40,000 people. Its attractions include Dollywood - a country-style theme park, a waterslide park, a rodeo dinner theater, and numerous miniature golf courses, bumper boat rides, and theme museums. Knoxville seeks to capitalize even more from its location through such projects as the Women's Basketball Hall of Fame, the Knoxville Visitors Center, Outdoor Knoxville, Volunteer Landing, Neyland Stadium, home of the University of Tennessee Volunteer football team, the Knoxville Botanical Gardens, and the Knoxville Zoo.

The Knoxville Symphony, the Knoxville Opera, and the Tennessee Children's Dance Ensemble are among the many exceptional arts organizations in the city. Choral groups, dance companies, and over a dozen performance theatres, including the renovated Tennessee and Bijou theaters, also promote the arts. Live entertainment includes touring Broadway productions, music festivals, and concerts. The Knoxville Museum of Art and the Emporium Center for Arts and Culture feature changing exhibits throughout the year, while the area's libraries, historic sites, and museums, such as the East Tennessee History Center, The McClung Museum of Natural History and Culture, and the Beck Cultural Center, celebrate Knoxville's heritage.

Knoxville consistently receives high honors for quality of life. In 2015, Forbes magazine listed Knoxville as the second most affordable city in America, based on housing prices, living costs, and the consumer price index. The American Chamber of Commerce Researchers Association (ACCRA) also ranked Knoxville as one of the more affordable Southeast urban areas, with a cost-of-living index of 87.4 in 2014, the average of participating cities equaling 100.0. Not only does Knoxville offer a high quality of life, but it has been recognized as a great place to work. CareerBliss.com recently ranked Knoxville as the second happiest city for workers, based on factors such as compensation, growth opportunities and company culture.

The quality of life, a low cost of living, convenient interstate access as well as other factors make the area an attractive location for many types of operations. Knoxville serves as home to numerous customer service centers, including Jewelry Television by ACN, Cendant Corporation, ClientLogic Corporation, GC Services, Kimberly-Clark Corporation, Nova Information Systems, U.S. Cellular and Whirlpool Corporation. The City has worked with these firms, and others, to help foster relocation to Knoxville or expansion of existing facilities. Other national and global leaders in the area include Dollywood, Clayton Homes, DeRoyal Industries, Pilot Flying J Travel Centers, and Regal Entertainment. Sysco Corporation, one of the largest food service marketers and distributors in North America, also calls the Knoxville area home.

Knoxville serves as the health, educational, and governmental center of East Tennessee. Knoxville is the home to the University of Tennessee's (UTK) main campus, which experienced an enrollment of 26,460 students for Fall 2019, including its teaching hospital and veterinary school. U.S. News and World Report ranks UTK in the top half, 46th of 119 national public universities. Six other colleges operate in Knoxville, with 30 trade/vocational schools completing Knoxville's higher education system. Also operating within the area are four hospitals including the only two trauma centers for a 27-county area. The presence of the Tennessee Valley Authority, Oak Ridge National Laboratory, and BWXT-Y-12 serve as a magnet for technology-based corporations in the East Tennessee area. The growing trend toward allowing technology transfer to private industry is also benefiting the region.

Relevant Financial Policies/Controls

Management of the City of Knoxville is responsible for establishing and maintaining an internal control structure. This structure is designed to protect the assets of the government from loss, theft or misuse. The system also attempts to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles). The internal control structure is designed to provide 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 system is to ensure compliance with the City Code and Charter, as well as with state and federal guidelines regarding use of funds. No authority is granted to any department to exceed their annual appropriation without council approval. Appropriations for all funds, excluding grants and capital projects, included in the annual budget process lapse at year-end and must be re-appropriated annually. Additional budgetary controls include the City's encumbrance accounting system, which is designed to ensure that departments do not exceed or commit to exceed any appropriation for the fiscal year. Furthermore, the Mayor and the Finance Director can reserve or impound appropriations if there appears to be insufficient revenues to cover expenditures, or for any other valid reason.

Other information

Independent Audit

The State of Tennessee requires an independent audit performed by independent certified public accountants. The City's audit committee selected Crosslin, PLLC to perform the fiscal year 2019 audit.

MAJOR INITIATIVES

I. Redevelopment

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

Downtown Knoxville has enjoyed a sustained resurgence since the start of this century, with a vibrant arts scene and cultural attractions (from the Women's Basketball Hall of Fame to the Knoxville Museum of Art), along with entertainment, shopping and dining opportunities.

The City's Office of Redevelopment has been an important partner in this resurgence, and in FY 2019 continued its efforts to encourage reinvestment in the urban core and in neighborhoods radiating out in all directions from downtown. To the north, the City has begun the design phase for constructing a new Public Safety Complex which is anticipated to cost $40 million and will house large portions of the City's Police and Fire Departments as well as the City Court. This project will redevelop the former Tennova Hospital site into a new facility which will, in turn, facilitate strong and safe neighborhoods just north of the downtown area. Additionally, beginning in January of 2018, the City has undertaken the North Central Streetscapes Project to improve the multi-modal function of N. Central Street including new bike lanes, on-street parking, new bus stops and shelters/

To the south, the new Suttree Landing Park opened along the City's South Waterfront and is the first major new public park in over a dozen years. The eight-acre park provides public recreation space and river access for boaters and includes a new street, Waterfront Drive, which facilitates an extension of the existing neighborhood. The park also includes a riverfront walk with amenities such as benches, bicycle racks, and accessible playgrounds. In short, the new park and related infrastructure is enjoyable to the public and is facilitating private development in this vicinity.

To the east of downtown, the Office of Redevelopment completed the Magnolia Avenue Streetscapes design and is currently engaged in the build-out portion of the $10 million project. The project includes landscaping, sidewalk improvements, new bike lanes, benches, bush shelters and other amenities to make the area from Jessamine Street to Bertrand Street safer, more beautiful, more enjoyable to the local residents and should spur private development investment.

Just north of the downtown area, the City has begun the $8 million dollar I-275 Business Access Corridor Project which will run parallel to I-275 creating a continuous and functional road system from 17th Street to Baxter Avenue. This project will extend Blackstock Avenue from Fifth Avenue to Bernard Avenue and includes improvements along Marion Street (from Bernard to Baxter Avenue). This project supports the redevelopment of industrial and commercial properties in order to establish this corridor as a business park that enhances the viability of the connector through economic investment, revitalization, and job creation.

The City of Knoxville encourages reinvestment in other parts of the City through the Community Development Department. Initiatives such as owner-occupied rehabilitations, blighted property acquisitions, and a commercial façade program enhance targeted redevelopment areas.

The façade program improves the appearance of buildings and serves to improve the economic viability of these areas. Better aesthetics are known to increase property values, improve the marketability of buildings and attract commercial tenants and residents.

II. Sustainability

"For over a decade, the City of Knoxville has worked to make Knoxville a greener, more sustainable city – one where the economy, environment, and community can thrive today and in the future. Thanks to a forward-looking, pragmatic, and effective approach, Knoxville is a regional and national sustainability leader.

In 2008, the City of Knoxville set a goal to reduce greenhouse gas emissions 20% by 2020 relative to 2005 levels for both municipal operations and the Knoxville community. The City has exceeded its municipal goal, and community emissions are lower in the midst of a growing economy and improving quality of life for residents. The City has recently set new goals to reduce municipal greenhouse gas emissions 50% by 2030 and community emissions 80% by 2050.

To meet municipal sustainability goals and avoid unnecessary energy expenditures, the City has aggressively pursued energy efficiency projects and supported deployment of renewable energy systems. Chief among these has been investment in comprehensive energy efficiency across City facilities and a restructuring and retrofit of the municipal streetlight system to LED technology, which is estimated to achieve annual savings of over $2 million. The Office of Sustainability champions efforts to advance clean energy, reduce environmental impacts, and improve the efficiency of the City's fleet vehicles and buildings.

At the community level, the City acts as an agent of change by convening local partners and catalyzing community-focused initiatives that help private residents and businesses reduce environmental impacts, expand options for sustainable living, and increase community resilience. A key priority is the Smarter Cities Partnership, which seeks to improve the comfort, quality, and affordability of Knoxville's housing stock through energy efficiency and which has leveraged over $20 million in funding for low-income energy efficiency improvements since 2013. The Office of Sustainability collaborates with numerous internal and external partners to promote infrastructure investments, service programs, financial tools, and regulatory changes that enable and encourage more sustainable and resilient practices within the Knoxville community."

III. Livability

Knoxville consistently receives high honors for quality of life. In 2015, Forbes magazine listed Knoxville as the second most affordable city in America, based on housing prices, living costs, and the consumer price index. It was recently ranked one of the Best Places to Retire by Livability.com, and the City's investment in outdoor recreation and its Urban Wilderness Corridor have attracted favorable coverage from outlets including USA Today and Backpacker magazine.

The City continues to invest in neighborhood infrastructure, recreational facilities, major community events and great public spaces. It is important that neighborhoods also have quality infrastructure and are free from blight. This year's budget provided $4.25 million to "Austin Homes" initiative which consists of low-income housing apartments with easy access to public transit facilities and resources in the urban core. This project is anticipated to continue for at least another four years. Additionally, Knoxville's Community Development Corporation is continuing with the redevelopment of the Walter P. Taylor homes project in the Five Points/Park City area, part of a total 10-year commitment to that area.

Great neighborhoods also have access to parks, greenways, natural areas, and recreational opportunities. They safely accommodate pedestrians, bicycles, public transit, and vehicles. The City has continued to invest in Knoxville's greenway network, with $1.2 million designated for greenway maintenance and improvements in the current FY 19/20 budget. It also appropriated $500,000 for capital improvements at Ijams Nature Park in South Knoxville; $400,000 for ballfield, tennis court and playground improvements throughout the City; and an additional $1,000,000 for the Fort Dickerson Quarry Development project. All of these projects promote Knoxville's tremendous outdoor recreational opportunities for local citizens and visitors alike.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Knoxville for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 33rd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government

must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Knoxville received GFOA's Distinguished Budget Presentation Award for the annual operating budget dated July 1, 2018. This marks the 26th 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

The preparation of this report results from the combined efforts of many people. Special recognition and appreciation goes to the City's Finance Department, Savannah Maupin, the City's Internal Auditor, the City's independent auditors, Crosslin, PLLC, and the City Council audit committee comprised of Marshall Stair (Chair), Gwen McKenzie, Lauren Rider, Andrew Roberto, and Seema Singh. The national recognition afforded the City of Knoxville could not have been achieved without the increasing participation and enthusiasm of the citizens of this community. Their exceptional response has served as the foundation for many programs and projects developed during the budgetary process which strengthen and benefit the lives of all Knoxvillians.

Sincerely,

James York
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Knoxville

Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

City of Knoxville, Tennessee

Organizational Structure by Function

Citizens of the City of Knoxville

Mayor

Council

City Judge

Appointed Boards

Knoxville Transit Authority
Civil Service Merit Board

General Government

Mayor's Office
- Community Relations
- Economic Development & Communications
- 311 Call Center

Finance
- Accounting & Budget
- Treasury, Revenue Collection & Enforcement
- Purchasing

Information Systems
- Enterprise & Application Services

Risk Management
- Health Benefits, W/C & Liability Claims Admin.

Community Development
- Program Administration

Law

Fleet

Civil Service

Elections

Recorder's Office

Waterfront

Special Events

Health & Sanitation

Public Works
- Solid Waste Collection & Landfill Operations
- Recycling Programs
- Transfer Station Operations

Public Safety

Police Dept.
- Operations
- Patrol
- Investigative
- Safety City
- Emergency Management
- Animal Control

Fire Dept.
- Fire Suppression
- Arson Investigation
- Emergency Medical Services
- Inspection Services

Building Plans Review & Inspection

Transportation

Operating Subsidies to:
- Knoxville Area Transit System

Parks & Recreation

Mayor's Office
- Community Grants

Parks & Recreation
- Athletics
- Special Programs
- Aquatic Programs
- Recreation Centers
- Parks
- Senior Aides Program

Physical Enviornment

Engineering
- Engineering Services
- Stormwater

Public Works
- Facilities Maintenance
- Street Maintenance
- Solid Waste Collection
- Public Grounds Maintenance

Economic Development

Mayor's Office
- Ten Year Plan to End Homelessness
- Chamber of Commerce Partnership Programs
- Community Action Committee
- Community Grants

Finance & Accountability
- Community Development Programs
- Empowerment Zone Programs

Business Type Activities

Engineering
- Metro Parking

Public Assembly Facilities
- Coliseum
- Convention Center

Parks & Recreation
- Municipal Golf Courses

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF PRINCIPAL OFFICIALS OF THE CITY OF KNOXVILLE, TENNESSEE

MAYOR
Madeline Rogero

CITY COUNCIL

George Wallace
Marshall Stair
Gwen McKenzie
Finbarr Saunders, Vice Mayor
Mark Campen
Stephanie Welch
Andrew Roberto
Seema Singh
Lauren Rider

CITY JUDGE

John Rosen

PRINCIPAL DIRECTORS AND ADMINISTRATORS

Deputy to the Mayor – David Brace, Chief Operating Officer
Deputy to the Mayor – Dr. William Lyons, Chief Policy Officer
Airport – Patrick Wilson, President
City Recorder – Will Johnson
Civil Service – Vicki Hatfield, Director
Communications – Eric Vreeland, Director
Community Development – Becky Wade, Director
Community Relations – Avice Reid
Engineering – James Hagerman, Director
Finance & Accountability – Jim York, Director
Fire – Stan Sharp, Chief
Fleet – Keith Shields, Director
Information Systems – Janet Wright, Director
Knoxville Area Transit – Melissa Roberson, Acting General Manager
Knoxville Utilities Board – Gabriel Bolas II, President
Law – Charles Swanson, Director
Parks & Recreation – Sheryl Ely, Director
Police - Eve Thomas, Chief
Public Service – Chad Weth, Director
Special Events – Judith Foltz

FINANCIAL SECTION

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and miscellaneous community development funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 24, 2019

Management's Discussion and Analysis

This Management Discussion and Analysis (MD & A) seeks to aid the reader in understanding the City of Knoxville Tennessee's basic financial statements and financial position. This section is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter that begins on page "i" and with the financial statements that follow. All amounts are expressed in dollars, unless otherwise specified, for the results of operations for the Fiscal Year ending June 30, 2019.

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 $676,330,628 (*net position*). Of this amount, $267,171,969 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

- Net position increased by $42,008,665 a change of 6.62% when compared to FY2018. This gain stems from effective budgetary controls and involvement of all employees in controlling expenses.

- As of the close of the fiscal year, the city's governmental funds reported combined ending fund balances of $258,674,411, a decrease of $15,473,573 over the prior year. Of this total, $231,185,550 or 89.37% is either non-spendable, restricted, committed, or assigned. The remaining balance of $27,488,861 is available for other uses.

- The ending Fund Balance in the City's General Fund decreased by $1,630,680 or 1.84%. For FY2019, $15,239,551 was appropriated from unassigned fund balance to augment General Fund revenues to balance the planned budget expenditures. Overall tax collections came in much higher than anticipated, and augmented by efficient use of resources, contributed significantly to reducing the amount of unassigned fund balance needed to support expenditures. Consistent with fund balance standards, a total of $300,578 is considered non-spendable and $59,095,210 is assigned or committed. The remaining balance of $27,488,861 is available for spending at the City's discretion.

- The City's total debt for the primary government decreased by $11,795,000 from $167,390,000 to $155,595,000 during the current fiscal year as a result of normal debt service.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

Primary Government	**Component Units**
Governmental Activities	Knoxville Utilities Board
Business-Type Activities	Metropolitan Knoxville Airport Authority
	Knoxville Area Transit

STATEMENT OF NET POSITION

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

The statement of net position presents the consolidated financial condition of the City at a moment of 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 their very nature, recover costs through user fees and/or operational transfers.

Funds Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Permanent Fund

Krutch Park Trust

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

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

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

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

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

Proprietary Funds

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

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

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

Governmental Activities/Internal Service Funds
- Fleet Maintenance
- Risk Management
- Health Insurance
- Equipment Replacement
- City Buildings

Like the government-wide statement, the Proprietary Fund Statement of Net Assets 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 Assets isolate operating revenues and expenses from other changes in net assets to allow for the measurement of how sufficiently a given activity is self-supporting. Non-operating items are also included immediately following operating income/loss.

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

Fiduciary and Component Unit Statements

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

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

The Statement of Changes in Fiduciary Net Assets 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 assets 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, 2019

A condensed version of the Statement of Net Position follows:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Cash and investments	$ 402,227	$ 386,829	$ 60,428	$ 66,832	$ 462,655	$ 453,661
Other assets	175,699	187,896	11,913	8,617	187,612	196,513
Capital assets	404,103	377,018	149,672	138,332	553,775	515,350
Total assets	982,029	951,743	222,013	213,781	1,204,042	1,165,524
Deferred Outlfows	68,856	63,235	93	228	68,949	63,463
Liabilities						
Other liabilities	28,292	17,516	3,776	4,050	32,068	21,566
Noncurrent liabilities	313,119	315,956	95,534	101,363	408,653	417,319
Total liabilities	341,411	333,472	99,310	105,413	440,721	438,885
Deferred Inflows	155,146	154,723	793	1,058	155,939	155,781
Net position						
Net investment in capital assets	342,292	305,396	54,237	37,202	396,529	342,598
Restricted	12,630	11,984			12,630	11,984
Unrestricted	199,406	209,403	67,766	70,336	267,172	279,739
Total net position	$ 554,328	$ 526,783	$ 122,003	$ 107,538	$ 676,331	$ 634,321

Governmental Activities

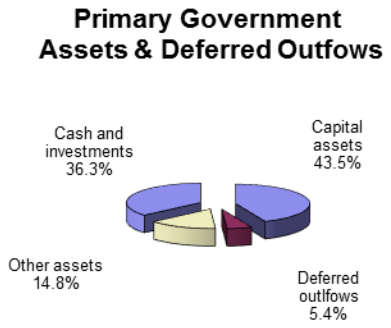
Assets have increased by 3.18% and liabilities have increased by 2.38% when compared to FY2018 levels. The increase in assets is due primarily to favorable financial operations increasing available cash and investments. Noncurrent liabilities decreased by $2,837 million due to the normal retirement of outstanding debt and routine operations. The net pension liability decreased by $0.53 million in accordance with actuarial requirements of the various pension plans. The net result of these changes is an increase in total net position of 5.23%.

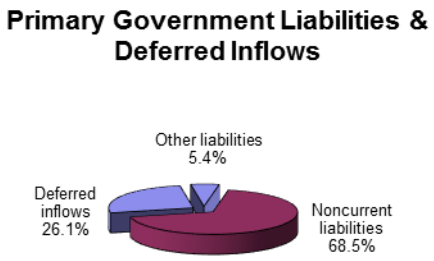
Business-Type Activities

Assets and liabilities changed by 3.85% and -5.79% respectively from FY2018 levels. The interest rate swap liability, when compared to FY2018, declined by $135,162 due to a reduction in the outstanding principal and changing interest rates. The balance of the decline in noncurrent liabilities is a function of long- term debt for the Convention Center facility. The overall result of all these changes is a 13.45% increase in net position.

Total Primary Government

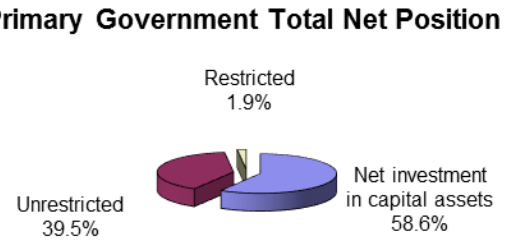
The City's capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure, and construction in progress account for 43.5% of $1,272,991,886 in total assets and deferred outflows. Taxes and governmental receivables constitute 14.8%. Current liquidity comprised of cash and investments represents 36.3% and deferred outflows representing interest rate swaps and pension liabilities account for 5.4%.





Of the total government liabilities, 68.5% are in non-current liabilities. Of the total non-current liabilities, approximately $94,633 million, or 60.65% is related to debt issued to finance the convention center.

A portion of the City's total net assets 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 government represent 39.5% of total primary government net assets.



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

A summary version of the Statement of Activities follows:

Governmental Activities

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	
Revenues:	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	$ 12,184	$ 11,179	$ 14,630	$ 14,011	$ 26,814	$ 25,190
Operating grants & contributions	5,754	6,632	1,500	1,500	7,254	8,132
Capital grants & contributions	7,852	7,608	-	-	7,852	7,608
General revenues:						
Taxes	246,765	249,073	15,283	16,787	262,048	265,860
Interest	9,923	3,336	1,407	503	11,330	3,839
Other	3,990	4,134	663	860	4,653	4,994
Total revenues	286,468	281,962	33,483	33,661	319,951	315,623
Expenses:						
General government	47,664	44,384	-	-	47,664	44,384
Public safety	98,472	95,748	-	-	98,472	95,748
Physical Environment	53,907	53,452	-	-	53,907	53,452
Transportation	14,135	13,307	-	-	14,135	13,307
Economic development	12,951	10,570	-	-	12,951	10,570
Parks and recreation	11,799	11,474	-	-	11,799	11,474
Health & Sanitation	9,544	8,766	-	-	9,544	8,766
Interest on long-term debt	2,168	1,761	-	-	2,168	1,761
Other	-	-	27,302	33,105	27,302	33,105
Total expenses	250,640	239,462	27,302	33,105	277,942	272,567
Increase (decrease) in net position before transfers	35,828	42,500	6,181	556	42,009	43,056
Transfers	(8,284)	(19,855)	8,284	19,855	-	-
Changes in net position	27,544	22,645	14,465	20,411	42,009	43,056
Beginning net position	526,784	504,138	107,538	87,127	634,322	591,265
Ending net position	$ 554,328	$ 526,783	$ 122,003	$ 107,538	$ 676,331	$ 634,321

Reflected in the Government-Wide Statement of Activities for the fiscal year ending June 30, 2019, only the General, Debt Service, and State Street Aid Funds generated material revenues in excess of current operating expenditures. Excess revenue generated by the General Fund is used to support funds that are not self-sufficient and to maintain reserves necessary for the proper operation of the city. Property tax revenue increased marginally; state shared sales tax and local option sales tax grew by a modest 4.1% and 4.2% respectively. The volatile state income tax on investment earnings failed to meet budget by $770,113 representing a decrease of $7.4 million when compared to FY2018. This state income tax on investments is being phased out and will be eliminated in FY21/22.

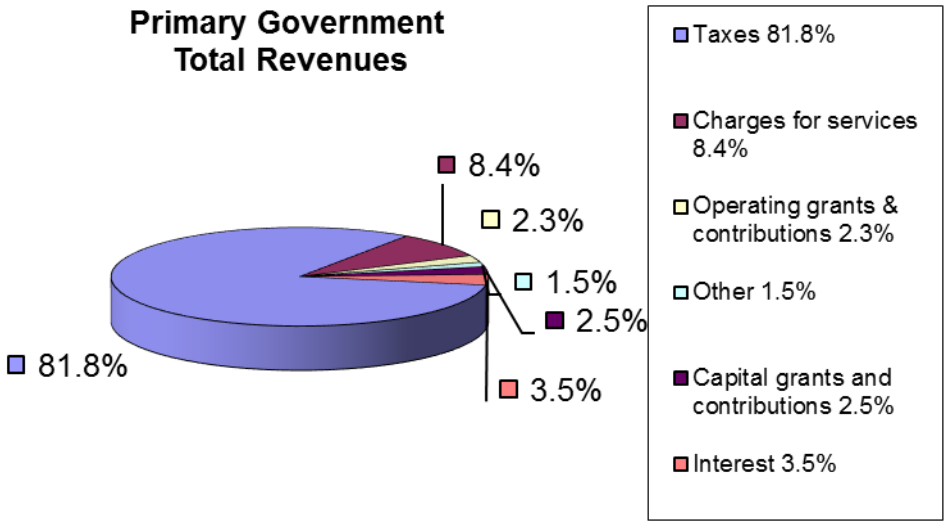
Surplus Debt Service fund revenues are generally utilized for one-time expenditures, capital projects or to retire debt. Excess City Court revenues are transferred to the General Fund to finance general operations. Overall general government expenditures increased $11.2 million primarily due to salary increases and expenditures associated with capital projects. Public safety operations accounted for 39.3% of the City's total governmental operations of $250.6 million. All other City of Knoxville sections and operations are financed by either local or state taxes, grants, or various shared revenues.

Business-type Activities

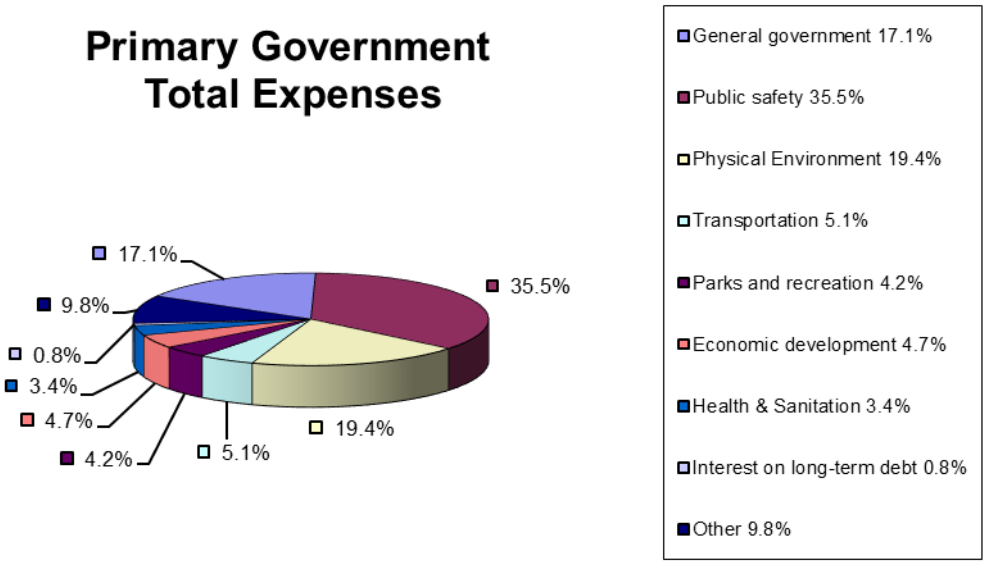
The City's business-type activities include metro parking, public assembly facilities and the municipal golf courses. The City also operates the Knoxville Convention Center and the Knoxville Civic Coliseum/ Auditorium. Home of the University of Tennessee's main campus, Knoxville attracts thousands of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

Total Government

Primary Government Revenues were $319.95 million. The largest portion of these revenues ($262,048 M – 81.8%) was from taxes.



Total primary government expenses totaled $277.9 million, 35.5% of which was directed toward public safety.



Component Units

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

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

	Knoxville Utilities Board		Metropolitan Knoxville Airport Authority		Knoxville Area Transit		Totals	
	2019	2018	2019	2018	2019	2018	2019	2018
Program Revenues	$ 816,493	$ 816,011	$ 66,180	$ 53,876	$ 18,788	$ 22,075	$ 901,461	$ 891,962
Program Expenses	(758,348)	(755,036)	(35,281)	(32,991)	(32,564)	(31,387)	(826,193)	(819,414)
Total General Revenues	7,194	2,596	6,952	1,302	10,437	10,282	24,583	14,180
Change in Net Assets	65,339	63,571	37,851	22,187	(3,339)	970	99,851	86,728
Net Assets at Year End	$1,132,118	$1,066,778	$ 244,125	$ 206,273	$ 46,401	$ 49,741	$1,422,644	$1,322,792

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2019

The total Governmental Funds balance as of June 30, 2019 is $258.674 million of which the general fund's balance is approximately $86.885 million, the debt service fund is $53.178 million, capital projects funds comprise $97.892 million, miscellaneous community development funds total $1.671 million and the remaining $19.047 million is distributed among the various special revenue and permanent funds. In the aggregate, the governmental funds fund balances decreased by $15.474 million when compared to the prior year. The change was predominantly in the capital projects fund (down by 15.2%) reflecting the use of funds for approved capital projects. 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, 2019

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, 2019, 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	2019	2018	Percent of Total 2019	Change from Prior Year Increase (Decrease)	Change from Prior Year Percent Change
Taxes, assessments, interest & penalties	$ 223,517	$ 217,761	78.62%	$ 5,756	2.64%
Licenses, permits and inspection charges	3,331	3,052	1.17%	279	9.14%
Intergovernmental revenue	34,889	43,520	12.27%	(8,631)	(19.83%)
Charges for services	5,548	5,013	1.95%	535	10.67%
Fines and forfeitures	4,156	4,190	1.46%	(34)	(0.81%)
Other	12,875	6,665	4.53%	6,210	93.17%
Totals	$ 284,316	$ 280,201	100.00%	$ 4,115	1.47%

A comparison of revenues between FY2018 and FY2019 shows total general government revenues were up by approximately $4.1 million or 1.47%. Taxes, assessments, interest & penalties showed the largest growth, increasing 2.64%, which signifies increased new construction, due to the upturn in the economy. Intergovernmental revenue dropped by 19.83% reflecting decreased grant funding being earned and awarded. Charges for Services and Fines and forfeitures are up a combined 10.67% primarily due to increased collections by the City Court for various traffic related matters. The Hall income tax, currently 3 percent on investments, started being phased out beginning in FY2017 with the tax rate being reduced by 1 percent each year and eliminated in FY21/22. Property Tax revenue and state shared sales tax growth are flat.

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, 2019, 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	2019	2018	Percent of Total 2019	Change from Prior Year Increase (Decrease)	Change from Prior Year Percent Change
Administration	$ 4,759	$ 4,770	1.64%	$ (11)	(0.23%)
Finance	4,075	4,236	1.41%	(161)	(3.80%)
Information Systems	3,838	4,250	1.32%	(412)	(9.69%)
Community Development	8,623	6,769	2.98%	1,854	27.39%
Waterfront	235	341	0.08%	(106)	(31.09%)
Parks & Recreation	7,963	7,700	2.75%	263	3.42%
Mass Transit	13,228	12,458	4.56%	770	6.18%
Engineering	14,834	14,177	5.12%	657	4.63%
Public Services	36,042	35,544	12.44%	498	1.40%
Law	2,903	3,127	1.00%	(224)	(7.16%)
Police	57,519	56,195	19.85%	1,324	2.36%
Emergency Management	409	440	0.14%	(31)	(7.05%)
Fire	41,459	38,923	14.31%	2,536	6.52%
Codes Enforcement	827	880	0.29%	(53)	(6.02%)
Legislative	1,005	985	0.35%	20	2.03%
City Elections	-	317	0.00%	(317)	-
Civil Service	1,128	1,091	0.39%	37	3.39%
Knoxville Partnership	641	637	0.22%	4	0.63%
Metropolitan Planning Commission	1,172	1,107	0.40%	65	5.87%
Knoxville Zoological Park	1,363	1,301	0.47%	62	4.77%
Community Agency Grants	1,623	1,362	0.56%	261	19.16%
Community Action Committee	907	849	0.31%	58	6.83%
Tax Increment Payments	2,334	1,987	0.81%	347	17.46%
Other General Government	19,780	16,835	6.83%	2,945	-
Capital and Grant Projects	54,810	36,657	18.91%	18,153	49.52%
Debt service:					
Principal retirement	6,237	4,742	2.15%	1,495	31.53%
Interest on bonds and notes	2,092	1,789	0.72%	303	16.94%
Total Expenditures	$ 289,806	$ 259,469	100.00%	$ 30,337	11.69%

Overall, general government expenditures in FY2019 increased by approximately $30.3 million. Community Development expenditures increased by approximately $1.85 million. This increase is primarily due to the increase in the expenditures for various community development type grants. Public Safety (Police and Fire) increased by a total of $3.9 million due primarily to increased personnel costs and other one-time expenses. Capital Project expenditures increased by $18.2 million as a result of many projects moving from the planning stages to construction with their accompanying costs.

Proprietary Funds Statements

Statement of Net Assets at June 30, 2019

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

Statement of Revenues, Expenditures and Changes in Fund Net Assets for the Year Ended June 30, 2019

A summary of the revenues, expenses, and interfund transfers indicates that there is an increase in total proprietary fund net position, including internal service funds, of $23.5 million after transfers.

Statement of Cash Flows for the Year Ended June 30, 2019

The four main business type activities of the City are the Convention Center, Metro Parking, Public Assembly Facilities and the Municipal Golf Courses. As expected, overall operations experienced a net operating loss. Although the Convention Center operated at a loss, the amount of the loss has continued to decline over the years. The Metro Parking Fund (parking garages) finished the fiscal year with a positive cash flow, but operated at a loss after depreciation. At the end of FY2016, operating control of Public Assembly Facilities (Chilhowee Park and the Civic Auditorium and Coliseum) was turned over to a private management company to streamline and improve operations. The city's two golf courses continued to have a small operating loss which was partially covered with subsidies from the General Fund. The following table shows revenues, expenses, net interfund transfers, net income and net position at fiscal year-end for the various proprietary funds.

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

Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2019	2018	2019	2018	2019	2018
I. Business-type Activities						
A. Knoxville Convention Center	$ 23,586	$ 23,130	$ 18,482	$ 19,550	$ 3,126	$ 9,800
B. Other (Non-major enterprise funds)						
1. Metro Parking	4,553	4,998	4,087	5,364	1,600	7,459
2. Public Assembly Facilities	4,384	4,549	3,351	6,937	3,281	2,456
3. Municipal Golf Courses	961	984	1,382	1,255	276	140
Total Business-type Activities	33,484	33,661	27,302	33,106	8,283	19,855
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	18,648	17,798	14,145	13,611	509	597
2. Risk Management	7,598	7,514	6,838	6,141	-	-
3. Health Insurance	21,067	19,368	20,040	18,405	-	-
4. Equipment Replacement	3,353	2,792	2,691	2,352	1,701	1,937
5. City Buildings	2,301	1,838	2,319	1,795	(511)	-
Total Government-Wide Activities	52,967	49,310	46,033	42,304	1,699	2,534
Totals	$ 86,451	$ 82,971	$ 73,335	$ 75,410	$ 9,982	$ 22,389

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

Proprietary Funds	Capital Contributions		Change in Net Position		Net Position at Year End	
	2019	2018	2019	2018	2019	2018
I. Business-type Activities						
A. Knoxville Convention Center	$ -	$ -	$ 8,230	$ 13,380	$ 69,686	$ 61,456
B. Other (Non-major enterprise funds)						
1. Metro Parking	-	-	2,066	7,093	30,601	28,535
2. Public Assembly Facilities	-	-	4,314	68	20,144	15,830
3. Municipal Golf Courses	-	-	(145)	(131)	1,572	1,717
Total Business-type Activities	-	-	14,465	20,410	122,003	107,538
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	-	-	5,013	4,784	78,656	73,643
2. Risk Management	-	-	760	1,373	17,756	16,996
3. Health Insurance	-	-	1,027	963	21,352	20,325
4. Equipment Replacement	359	198	2,722	2,575	32,057	29,335
5. City Buildings	-	-	(529)	43	2,527	3,056
Total Government-Wide Activities	359	198	8,993	9,738	152,348	143,355
Totals	$ 359	$ 198	$ 23,458	$ 30,148	$ 274,351	$ 250,893

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

	FY2018 Contribution Rates	FY2019 Contribution Rates	Estimated FY2020 Contribution Rates
General Government Employees (Closed)	7.39%	7.22%	7.27%
General Government Employees (Open)	8.70%	8.69%	8.85%
Uniformed Employees (Closed)	17.77%	17.80%	17.52%
Uniformed Employees (Open)	11.69%	13.75%	12.86%

The City's Pension Fund is being funded as required by the actuary and is currently funded at 74.32%. The city is currently amortizing the unfunded portion according to an actuarial determined schedule. Beginning in FY18, the unamortized portion of the closed plans are being paid as a direct cost rather than as a percentage of payroll. For FY19 this amount was $19,414,000 and is estimated at $20,027,100 in FY20. The plan is to be fully funded in 18 years. For comparison purposes, if everything were expressed as a percentage of payroll, would be 26.05% in FY19 and 28.44% in FY20 for General Government employees and 53.53% and 55.37% respectively for Police and Fire employees. In FY2012, the city shifted all newly hired employees to a hybrid based pension plan. Lower employer contribution rates for these individuals will offset a portion of the increased costs in funding the older plans. This will result in fairly level nominal contributions in future years.

General Fund Budgetary Highlights

During the year there was $10,555,953 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, 2019

Department	Carry Forward of Prior Year Encumbrances	Other	Total Changes
Administration	$ 5,343	$ (69,940)	$ (64,597)
Finance	-	(176,300)	(176,300)
Information Systems	5,261	(300,000)	(294,739)
Community Development	301,102	3,998,149	4,299,251
Parks & recreation	2,127	100,250	102,377
Public services	6,094	(845,310)	(839,216)
Engineering	100,887	100,000	200,887
Law	24,358	-	24,358
Police	10,746	100,000	110,746
Fire	7,150	1,100,000	1,107,150
Civil service	20,928	-	20,928
Historic Preservation	621,628	-	621,628
Metropolitan planning commission	-	10,000	10,000
Tax increment payments	-	304,900	304,900
Transfers	-	5,093,600	5,093,600
Waterfront	-	34,980	34,980
Total General Fund	$ 1,105,624	$ 9,450,329	$ 10,555,953

Approximately 10% of the changes in budget amendments is due to the re-appropriation of prior year encumbrances ($1,105,624) and is reflected in multiple city departments. The $3,998,149 appropriation for Community Development was for increased funding for increased assistance for the homeless. The increase in Transfers $5,093,600 is primarily due to the appropriations $2,654,700 for various capital projects and $1,000,000 for affordable housing.

Capital Asset and Debt Administration

As of June 30, 2019, as reflected in the following table, the primary government of the City had net investments of $554 million in capital assets. Construction in progress increased slightly by $498 thousand. The City has many ongoing maintenance programs, such as paving and bridge maintenance, to help preserve the City's infrastructure. 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	
	2019	2018	2019	2018	2019	2018
Land and site improvements	$ 84,438	$ 84,378	$ 7,336	$ 7,336	$ 91,774	$ 91,714
Buildings and improvements	77,479	74,539	220,863	208,289	298,342	282,828
Equipment, furniture & fixtures	119,179	108,985	9,716	9,779	128,895	118,764
Infrastructure	459,286	423,662	30,941	28,892	490,227	452,554
Construction in progress	10,281	12,201	4,888	2,470	15,169	14,671
Less accumulated depreciation	(346,560)	(326,747)	(124,072)	(118,434)	(470,632)	(445,181)
Totals	$ 404,103	$ 377,018	$ 149,672	$ 138,332	$ 553,775	$ 515,350

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	
	2019	2018	2019	2018	2019	2018
Beginning balance	$ 703,765	$ 669,032	$ 256,766	$ 254,294	$ 960,531	$ 923,326
Additions	60,797	66,650	19,896	7,117	80,693	73,767
Deletions	(13,899)	(31,917)	(2,918)	(4,645)	(16,817)	(36,562)
Balance before depreciation	750,663	703,765	273,744	256,766	1,024,407	960,531
Accumulated depreciation	(346,560)	(326,747)	(124,072)	(118,434)	(470,632)	(445,181)
Balance after depreciation	$ 404,103	$ 377,018	$ 149,672	$ 138,332	$ 553,775	$ 515,350

As of the year-end, the City's Total Primary Government had $155.6 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	
	2019	2018	2019	2018	2019	2018
Current - Due in 1 year:						
General Obligation Bonds	$ 6,506	$ 6,237	$ 5,839	$ 5,558	$ 12,345	$ 11,795
Non Current - Due in more than 1 year:						
General Obligation Bonds	51,556	58,062	88,793	94,633	140,349	152,695
Section 108 Loan	2,900	2,900	-	-	2,900	2,900
Total Non Current	54,456	60,962	88,793	94,633	143,249	155,595
Subtotal	60,962	67,199	94,632	100,191	155,594	167,390
Unamortized Premiums, Discounts and Gain on Refunding	3,749	4,422	803	939	4,552	5,361
Total Long Term Debt	$ 64,711	$ 71,621	$ 95,435	$ 101,130	$ 160,146	$ 172,751

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

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

	2019	2018
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AA+	AA+
Fitch Ratings	AAA	AAA

Economic Factors

As with most local governments, the largest source of revenue for the City of Knoxville is taxes. This revenue category represents $192 million or 85.8% of the total operating revenue to the General Fund. Within this category of revenue, the largest amount comes from property taxes. In turn, property taxes are divided among realty, personal, and public utility. The growth rate for assessed value on real estate has generally been relatively moderate, a trend that is expected to continue. In FY2019 the taxable value of real property increased by 14% and the overall tax roll increased by 12.8%. Under Tennessee law, cities are not able to benefit from reappraisals. Under this law, the city must adopt a "certified tax rate" which eliminates the impact of reappraisals. In this case, the effective tax rate was reduced to implement the law. Going forward we forecast slight growth in this source. We expect limited to no growth in the valuation of Public Utility property. Historically, the city has collected an average of 95.5% of property taxes in the year they are due. The trend has, in recent years, been upward due to better economic conditions and enhanced collection efforts. The trend in personal property has been more volatile but has trended upward in the recent past.

Local option sales tax revenues represent approximately $42.7 million or 19.1% of total General Fund revenues. This source tends to be somewhat more elastic than other taxes and is more cyclical in nature. Growth for FY2019 increased by 4.5% ($1,842,653) when compared to FY2018. Going forward we forecast moderate annual growth in the 2% to 3% range.

The second largest revenue category of the General Fund is intergovernmental revenue, and accounts for $25.2 million or 11.27% of total revenue. When compared to FY2018 this represents a decrease of approximately $7.45 million or 22.8%. The majority of the decrease in this category was due to the decrease in receipts from the Hall Income Tax - $7.4 million (an intangible tax on investments). This source has been extremely volatile revenue in recent years. To offset this volatility the revenue is budgeted very conservatively. Due to a recent change in the state law, the Hall Income tax will be phased out over the next five years, with incremental 20% reductions beginning in FY2017 until it is eliminated completely in FY2021.

Other revenue sources include fines and forfeitures and miscellaneous revenue items remain constant.

In summary, the revenue picture is relatively good in most areas but bear watching in other areas. Revenues are expected to increase in the future, albeit at modest levels. On the expenditure side, costs are increasing. The largest concerns on this side of the ledger are salary, benefit, and pension costs.

As discussed, earlier, projections are conservative in regards to the Hall Income Tax due to the volatile nature of this revenue. A state legislative change eliminates the Hall Income Tax by FY21/22.

The largest increase in costs is expected in the area of pensions. The City currently has a defined benefit system. The plan is currently underfunded though the funding status has improved in recent years. The City is amortizing the unfunded portion over the next eighteen years, and costs are expected to rise for another two years before leveling off. Also, in 2012 the citizens approved a new pension plan for all employees hired after January 1, 2013. This change is expected to reduce future costs.

Salary costs are expected to increase in the future. The City has a longstanding ordinance which mandates a two and one half percent (2 1/2 %) annual increase. This requirement typically results in increased costs. The City has maintained staffing levels at a constant number over the past years. The primary benefit cost is 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.

On the plus side, the performance of the Convention Center has improved in the past several years, which will lower the expected operating loss on the facility. The downtown area is also experiencing a rebirth, and should continue to grow in the future. Many family oriented programs are offered in the area known as Market Square and its adjoining Gay Street which bring people into the downtown area from the surrounding areas. The area is now a bustling area with many entertainment offerings.

As part of its efforts to deal with potential problems, the City does long-term budget forecasting. This allows us to recognize problems and respond to them before they get out of hand. The City is also actively engaged in performance measurement and productivity improvement efforts. We believe that these efforts will allow us to slow down or avoid future expenditure increases.

FINANCIAL CONTACT

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

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CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Assets					
Cash and cash equivalents	$ 4,751,614	$ 4,209,757	$ 8,961,371	$ 114,419,279	$ 123,380,650
Investments	397,475,157	56,218,262	453,693,419	176,859,242	630,552,661
Receivables (net of allowance for uncollectibles):					
Accounts	7,608,161	3,026,200	10,634,361	92,569,108	103,203,469
Taxes	152,887,292	-	152,887,292	-	152,887,292
Notes and leases	17,459,935	-	17,459,935	-	17,459,935
TVA conservation program	-	-	-	2,961,311	2,961,311
Other	-	27,972	27,972	1,430,532	1,458,504
Internal balances	(8,375,000)	8,375,000	-	-	-
Due from fiduciary fund	26,000	-	26,000	-	26,000
Due from component units	2,584,000	-	2,584,000	-	2,584,000
Inventories	2,088,605	153,897	2,242,502	23,480,158	25,722,660
Prepaid items	11,661	45,014	56,675	9,575,822	9,632,497
Equity interest in joint venture	1,408,609	284,616	1,693,225	-	1,693,225
Deferred charges	-	-	-	931,220	931,220
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	37,426,108	37,426,108
Receivables	-	-	-	923,000	923,000
Other	-	-	-	21,482	21,482
Other assets	-	-	-	15,734,293	15,734,293
Capital assets:					
Land and site improvements	84,438,721	7,336,303	91,775,024	162,305,738	254,080,762
Buildings and improvements	77,479,172	220,863,222	298,342,394	205,273,983	503,616,377
Utility plant in service	-	-	-	2,720,121,544	2,720,121,544
Equipment, furniture and fixtures	119,179,127	9,715,684	128,894,811	62,777,987	191,672,798
Infrastructure and site improvements	459,285,739	30,940,669	490,226,408	557,914	490,784,322
Construction in progress	10,281,143	4,888,180	15,169,323	313,771,091	328,940,414
Less accumulated depreciation	(346,560,471)	(124,071,740)	(470,632,211)	(1,172,051,725)	(1,642,683,936)
Total assets	982,029,465	222,013,036	1,204,042,501	2,769,088,087	3,973,130,588
Deferred outflows of resources					
Pensions	64,839,180	-	64,839,180	17,252,635	82,091,815
Other postemployment benefits	4,017,180		4,017,180	2,493,180	6,510,360
Interest rate swap	-	93,025	93,025	-	93,025
Unamortized bond refunding	-	-	-	22,532,324	22,532,324
Total deferred outflows of resources	68,856,360	93,025	68,949,385	42,278,139	111,227,524
Liabilities					
Accounts payable	20,004,196	2,362,057	22,366,253	58,722,343	81,088,596
Matured principal and interest on bonds	-	-	-	14,675,955	14,675,955
Accrued liabilities	5,746,260	616,279	6,362,539	22,677,972	29,040,511
Due to primary government	-	-	-	2,584,000	2,584,000
Due to fiduciary funds	1,000,000	-	1,000,000	-	1,000,000
Due to other governmental agencies	567,465	-	567,465	-	567,465
Customer deposits, plus accrued interest	633,521	294,812	928,333	20,674,169	21,602,502
Accrued interest	340,671	298,711	639,382	10,784	650,166
Unearned revenue	-	204,208	204,208	-	204,208
Noncurrent liabilities due within one year:					
Long-term debt due within one year	7,349,419	5,974,537	13,323,956	45,550,000	58,873,956
Other noncurrent liabilities due within one year	5,137,445	5,052	5,142,497	33,071,871	38,214,368
Noncurrent liabilities due in more than one year:					
Long-term debt due in more than one year	57,362,385	89,461,214	146,823,599	1,153,420,000	1,300,243,599
Other noncurrent liabilities due in more than one year	23,499,317	-	23,499,317	23,323,109	46,822,426
Net pension liability	204,050,183	-	204,050,183	6,881,639	210,931,822
Other postemployment benefits liability	15,721,022	-	15,721,022	1,447,742	17,168,764
Derivative instruments - interest rate swaps	-	93,025	93,025	405,479	498,504
Total liabilities	341,411,884	99,309,895	440,721,779	1,383,445,063	1,824,166,842
Deferred inflows of resources					
Pensions	6,230,915	793,152	7,024,067	3,843,381	10,867,448
Other postemployment benefits	208,566	-	208,566	-	208,566
Deferred revenue	15,112,958	-	15,112,958	-	15,112,958
Assessed and unlevied property taxes	133,593,888	-	133,593,888	1,433,998	135,027,886
Total deferred inflows of resources	155,146,327	793,152	155,939,479	5,277,379	161,216,858
Net position					
Net investment in capital assets	342,291,627	54,236,567	396,528,194	1,084,080,890	1,480,609,084
Restricted for:					
Debt service	-	-	-	21,272,508	21,272,508
Park maintenance:					
Nonexpendable	624,065	-	624,065	-	624,065
Expendable	322,224	-	322,224	-	322,224
Other	11,684,176	-	11,684,176	2,422,127	14,106,303
Unrestricted	199,405,522	67,766,447	267,171,969	314,868,259	582,040,228
Total net position	$ 554,327,614	$ 122,003,014	$ 676,330,628	$ 1,422,643,784	$ 2,098,974,412

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government				
Governmental activities:				
General Government	$ 47,664,206	$ 1,297,913	$ 751,635	$ -
Public Safety	98,472,261	7,213,510	1,260,851	606,159
Physical Environment	53,906,555	2,132,492	211,141	2,659,215
Transportation	14,134,980	484,197	-	-
Economic Development	12,950,721	283,190	3,530,166	4,522,866
Parks & Recreation	11,799,039	734,712	-	-
Health & Sanitation	9,544,589	38,252	-	63,300
Interest on long-term debt	2,167,651	-	-	-
Total governmental activities	250,640,002	12,184,266	5,753,793	7,851,540
Business-type activities:				
Metro Parking	4,086,537	4,295,267	-	-
Public Assembly Facilities	3,350,780	3,657,556	-	-
Knoxville Convention Center	18,481,999	5,722,012	1,500,000	-
Municipal Golf Courses	1,382,309	955,873	-	-
Total business-type activities	27,301,625	14,630,708	1,500,000	-
Total primary government	$ 277,941,627	$ 26,814,974	$ 7,253,793	$ 7,851,540
Combined discretely presented component units	$ 826,192,506	$ 860,655,288	$ 3,330,800	$ 37,474,810

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

Change in net position

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

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
Governmental Activities	Business-type Activities	Total		
$ (45,614,658)	$ -	$ (45,614,658)	$ -	$ (45,614,658)
(89,391,741)	-	(89,391,741)	-	(89,391,741)
(48,903,707)	-	(48,903,707)	-	(48,903,707)
(13,650,783)	-	(13,650,783)	-	(13,650,783)
(4,614,499)	-	(4,614,499)	-	(4,614,499)
(11,064,327)	-	(11,064,327)	-	(11,064,327)
(9,443,037)	-	(9,443,037)	-	(9,443,037)
(2,167,651)	-	(2,167,651)	-	(2,167,651)
(224,850,403)	-	(224,850,403)	-	(224,850,403)
-	208,730	208,730	-	208,730
-	306,776	306,776	-	306,776
-	(11,259,987)	(11,259,987)	-	(11,259,987)
-	(426,436)	(426,436)	-	(426,436)
-	(11,170,917)	(11,170,917)	-	(11,170,917)
(224,850,403)	(11,170,917)	(236,021,320)	-	(236,021,320)
-	-	-	75,268,392	75,268,392
150,053,622	-	150,053,622	-	150,053,622
72,958,786	8,086,517	81,045,303	12,368,700	93,414,003
-	2,213,389	2,213,389	-	2,213,389
128,414	4,981,420	5,109,834	-	5,109,834
784,727	-	784,727	-	784,727
13,541,487	-	13,541,487	-	13,541,487
7,632,870	-	7,632,870	-	7,632,870
1,664,954	-	1,664,954	-	1,664,954
3,472,161	663,258	4,135,419	4,400,865	8,536,284
9,922,954	1,407,106	11,330,060	7,812,241	19,142,301
518,320	-	518,320	-	518,320
(8,284,089)	8,284,089	-	-	-
252,394,206	25,635,779	278,029,985	24,581,806	302,611,791
27,543,803	14,464,862	42,008,665	99,850,198	141,858,863
526,783,811	107,538,152	634,321,963	1,322,793,586	1,957,115,549
$ 554,327,614	$ 122,003,014	$ 676,330,628	$ 1,422,643,784	$ 2,098,974,412

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 480,858	$ 60,065	$ 909,799	$ 427,213	$ 1,096,606	$ 2,974,541
Investments	81,885,254	52,376,130	106,774,506	1,462,646	19,533,538	262,032,074
Accounts receivable	1,171,771	233,953	3,175,308	42,140	2,331,905	6,955,077
Taxes receivable	126,948,521	25,938,771	-	-	-	152,887,292
Notes receivable	2,226,752	-		10,664,352	4,568,831	17,459,935
Due from other funds	4,033,221	400,000	6,261,000	750,000	-	11,444,221
Due from component unit	2,584,000	-	-	-	-	2,584,000
Inventories	290,100	-	154,246	-	514,936	959,282
Prepaid items	10,478	-	1,183	-	-	11,661
Total assets	$ 219,630,955	$ 79,008,919	$ 117,276,042	$ 13,346,351	$ 28,045,816	$ 457,308,083
Liabilities						
Accounts payable	$ 3,197,215	$ -	$ 12,013,742	$ 136,066	$ 1,690,855	$ 17,037,878
Accrued liabilities	2,183,707	-	2,978,500	4,625	250,853	5,417,685
Customer deposits	-	-	-	-	627,028	627,028
Due to other funds	17,086,000	-	2,512,000	21,000	1,793,221	21,412,221
Due to other governmental agencies	549,416	2,585	-	-	15,464	567,465
Total liabilities	23,016,338	2,585	17,504,242	161,691	4,377,421	45,062,277
Deferred Inflows of Resources						
Unavailable revenue - property taxes	109,729,968	25,828,469	-	-	-	135,558,437
Unavailable revenue - other	-	-	1,878,962	11,513,276	4,620,720	18,012,958
Total deferred inflows of resources	109,729,968	25,828,469	1,878,962	11,513,276	4,620,720	153,571,395
Fund Balances						
Non-spendable	300,578	-	155,429	-	1,139,001	1,595,008
Restricted	-	-	-	1,671,384	10,335,016	12,006,400
Committed	46,396,290	53,177,865	97,737,409	-	6,922,490	204,234,054
Assigned	12,698,920	-	-	-	651,168	13,350,088
Unassigned	27,488,861	-	-	-	-	27,488,861
Total fund balances	86,884,649	53,177,865	97,892,838	1,671,384	19,047,675	258,674,411
Total liabilities, deferred inflows of resources and fund balances	$ 219,630,955	$ 79,008,919	$ 117,276,042	$ 13,346,351	$ 28,045,816	$ 457,308,083

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, 2019

Amounts reported for the governmental activities in the Statement of Net Position are different because:		
Fund balance - governmental funds		$258,674,411
Capital assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.		365,536,728
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.		4,864,549
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.		152,348,261
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.		(340,671)
Pension and other postemployment benefit obligation amounts not reported in the funds:		
Net pension liability		(199,170,299)
Other postemployment benefits obligation		(15,721,022)
Deferred outflows of resources related to pensions		63,307,512
Deferred outflows of resources related to other postemployment benefits		4,017,180
Deferred inflows of resources related to pensions		(6,081,903)
Deferred inflows of resources related to other postemployment benefits		(208,566)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation debt	(60,962,480)	
Discounts and premiums (net)	(3,749,324)	
Compensated absences	(8,186,762)	(72,898,566)
Net position - governmental activities		$ 554,327,614

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, 2019

	General Fund	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, assessments, interest & penalties	$ 192,014,887	$ 25,219,913	$ -	$ -	$ 6,281,840	$ 223,516,640
Licenses, permits & inspection charges	354,475	-	-	-	2,976,504	3,330,979
Intergovernmental	25,206,978	-	4,522,866	1,396,969	3,762,167	34,888,980
Charge for services	2,059,352	-	-	588,385	2,900,667	5,548,404
Fines & forfeitures	720,769	-	-	-	3,435,234	4,156,003
Other	3,310,930	2,313,861	5,597,765	125,671	1,526,966	12,875,193
Total revenues	223,667,391	27,533,774	10,120,631	2,111,025	20,883,378	284,316,199
Expenditures:						
Current:						
Administration	4,757,495	-	-	-	1,000	4,758,495
Finance	3,875,426	-	-	-	199,998	4,075,424
Information Systems	3,838,474	-	-	-	-	3,838,474
Community Development	4,643,708	-	-	2,102,487	1,876,411	8,622,606
Waterfront	234,831	-	-	-	-	234,831
Parks & Recreation	7,865,092	-	-	-	98,245	7,963,337
Mass Transit	13,227,840	-	-	-	-	13,227,840
Engineering	7,235,230	-	-	-	7,599,199	14,834,429
Public Services	23,963,444	-	-	-	12,078,471	36,041,915
Law	1,939,438	-	-	-	963,909	2,903,347
Police	55,109,738	-	-	-	2,409,183	57,518,921
Emergency Management	-	-	-	-	409,309	409,309
Fire	41,454,128	-	-	-	4,970	41,459,098
Codes enforcement	827,231	-	-	-	-	827,231
Legislative	1,002,232	-	-	-	2,475	1,004,707
Civil Service	1,127,392	-	-	-	-	1,127,392
Knoxville Partnership	641,290	-	-	-	-	641,290
Metropolitan Planning Commission	1,171,980	-	-	-	-	1,171,980
Knoxville Zoological Park	1,363,260	-	-	-	-	1,363,260
Community Agency Grants	1,622,935	-	-	-	-	1,622,935
Community Action Committee	907,140	-	-	-	-	907,140
Tax Increment Payments	2,334,180	-	-	-	-	2,334,180
Other general government	19,779,570	-	-	-	-	19,779,570
Capital & grant projects	-	-	54,809,642	-	-	54,809,642
Debt service:						
Principal retirement	-	6,236,980	-	-	-	6,236,980
Interest payments on bonds & notes	-	2,092,057	-	-	-	2,092,057
Total expenditures	198,922,054	8,329,037	54,809,642	2,102,487	25,643,170	289,806,390
Excess (deficiency) of revenues over (under) expenditures	24,745,337	19,204,737	(44,689,011)	8,538	(4,759,792)	(5,490,191)
Other financing sources (uses)						
Transfers in	1,537,530	1,480,643	27,264,510	-	10,621,046	40,903,729
Transfers out	(27,913,547)	(18,279,500)	(113,669)	-	(4,580,395)	(50,887,111)
Total other financing sources (uses)	(26,376,017)	(16,798,857)	27,150,841	-	6,040,651	(9,983,382)
Net change in fund balances	(1,630,680)	2,405,880	(17,538,170)	8,538	1,280,859	(15,473,573)
Fund balances - beginning	88,515,329	50,771,985	115,431,008	1,662,846	17,766,816	274,147,984
Fund balances - ending	$ 86,884,649	$ 53,177,865	$ 97,892,838	$ 1,671,384	$ 19,047,675	$ 258,674,411

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, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ (15,473,573)
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 ($44,531,255) exceeds depreciation expenses ($17,472,076).	27,059,179
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(831,575)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	6,236,980
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.	(75,594)
Negative pension expense not reported in the funds	2,419,352
Other postemployment benefit income (expense) not reported in the funds	(784,037)
The internal service fund is used by management to charge the costs of fleet maintenance.	5,012,357
The internal service fund is used by management to charge the costs of risk management.	760,737
The internal service fund is used by management to charge the costs of employee health insurance.	1,026,752
The internal service fund is used by management to charge the costs of equipment replacement.	2,722,558
The internal service fund is used by management to charge the costs of City buildings.	(529,333)
Change in net position - governmental activities	$ 27,543,803

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, 2019

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	$ 100,249,800	$ 100,249,800	$ 100,821,976	$ -	$ 100,821,976	$ 572,176
Prior years	4,205,020	4,205,020	4,764,617	-	4,764,617	559,597
Business taxes	7,483,000	7,483,000	7,520,911	-	7,520,911	37,911
Local shared sales tax	41,757,730	41,757,730	42,726,166	-	42,726,166	968,436
Alcoholic beverage taxes	12,715,780	12,715,780	13,539,487	-	13,539,487	823,707
Payments in lieu of taxes	20,315,950	20,315,950	20,976,776	-	20,976,776	660,826
Franchise fees	1,950,190	1,950,190	1,664,954	-	1,664,954	(285,236)
Intergovernmental -						
Federal	869,030	869,030	751,635	-	751,635	(117,395)
State -						
Sales tax	15,504,490	15,504,490	15,864,623	-	15,864,623	360,133
Income tax	4,900,000	4,900,000	4,129,887	-	4,129,887	(770,113)
Other	3,885,340	3,885,340	4,460,833	-	4,460,833	575,493
Licenses and permits	316,570	316,570	354,475	-	354,475	37,905
Fines & forfeits	786,550	786,550	720,769	-	720,769	(65,781)
Charges for services	1,983,180	1,983,180	2,059,352	-	2,059,352	76,172
Other -						
Interest	915,050	915,050	2,594,644	-	2,594,644	1,679,594
Rents & concessions	94,340	94,340	96,199	-	96,199	1,859
Miscellaneous	564,350	1,669,974	620,087	-	620,087	(1,049,887)
Total revenues	218,496,370	219,601,994	223,667,391	-	223,667,391	4,065,397
Expenditures						
Current -						
Administration	5,026,450	4,944,883	4,757,495	4,464	4,761,959	182,924
Finance	4,391,330	4,213,620	3,875,426	-	3,875,426	338,194
Information systems	4,454,800	4,159,721	3,838,474	1,600	3,840,074	319,647
Community development	5,839,520	10,136,591	4,643,708	312,544	4,956,252	5,180,339
Waterfront	384,870	418,200	234,831	-	234,831	183,369
Parks & recreation	7,805,020	7,896,297	7,865,092	8,286	7,873,378	22,919
Mass transit	13,227,840	13,227,840	13,227,840	-	13,227,840	-
Public services	25,071,440	24,199,284	23,963,444	-	23,963,444	235,840
Engineering	7,122,630	7,335,786	7,235,230	99,196	7,334,426	1,360
Law	2,022,170	2,046,529	1,939,438	29,551	1,968,989	77,540
Police	55,116,840	55,155,696	55,109,738	36,160	55,145,898	9,798
Fire	40,597,420	41,470,600	41,454,128	69	41,454,197	16,403
Codes enforcement	900,460	900,460	827,231	-	827,231	73,229
Legislative	1,085,860	1,085,860	1,002,232	-	1,002,232	83,628
Civil service	1,108,230	1,129,158	1,127,392	-	1,127,392	1,766
Nondepartmental -						
City elections	10,000	10,000	-	-	-	10,000
Knoxville partnership	641,290	641,290	641,290	-	641,290	-
Metropolitan planning commission	1,161,980	1,171,980	1,171,980	-	1,171,980	-
Knoxville zoological gardens	1,363,260	1,363,260	1,363,260	-	1,363,260	-
Community agency grants	1,623,000	1,623,000	1,622,935	-	1,622,935	65
Community action committee	907,140	907,140	907,140	-	907,140	-
Tax increment payments	2,032,040	2,336,940	2,334,180	-	2,334,180	2,760
Other general government	22,079,570	22,079,570	19,779,570	-	19,779,570	2,300,000
Total expenditures	203,973,160	208,453,705	198,922,054	491,870	199,413,924	9,039,781
Excess (deficiency) of revenues over (under) expenditures	14,523,210	11,148,289	24,745,337	(491,870)	24,253,467	13,105,178
Other Financing Sources (Uses)						
Transfers in	6,343,900	8,268,600	1,537,530	-	1,537,530	6,731,070
Transfers out	(29,202,660)	(34,656,440)	(27,913,547)	-	(27,913,547)	6,742,893
Appropriated fund balance	8,335,550	15,239,551	-	-	-	15,239,551
Total other financing sources (uses)	(14,523,210)	(11,148,289)	(26,376,017)	-	(26,376,017)	15,227,728
Net changes in fund balances	$ -	$ -	(1,630,680)	(491,870)	(2,122,550)	$ (2,122,550)
Fund balance - beginning			88,515,329	(3,303,216)	85,212,113	
Fund balance - ending			$ 86,884,649	$ (3,795,086)	$ 83,089,563	

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, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 776,250	$ 1,700,000	$ 1,396,969	$ (303,031)
Charges for services	500,000	500,000	588,385	88,385
Other	-	-	125,671	125,671
Total revenues	1,276,250	2,200,000	2,111,025	(88,975)
Expenditures				
Current:				
Community Development	1,276,250	2,200,000	2,102,487	97,513
Total expenditures	1,276,250	2,200,000	2,102,487	97,513
Excess (deficiency) of revenues over (under) expenditures	-	-	8,538	8,538
Net change in fund balances	$ -	$ -	8,538	$ 8,538
Fund balances - beginning			1,662,846	
Fund balances - ending			$ 1,671,384	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Assets				
Current assets:				
Cash & temporary investments	$ 3,039,930	$ 1,169,827	$ 4,209,757	$ 1,777,073
Investments	44,992,555	11,225,707	56,218,262	135,443,083
Accounts receivable	2,750,097	304,075	3,054,172	653,084
Due from other funds	5,225,000	5,500,000	10,725,000	2,300,000
Inventories	133,563	20,334	153,897	1,129,323
Prepaid items	14,770	30,244	45,014	-
Total current assets	56,155,915	18,250,187	74,406,102	141,302,563
Noncurrent assets:				
Land and site improvements	2,952,020	4,384,283	7,336,303	-
Buildings and improvements	158,792,103	62,071,119	220,863,222	257,391
Equipment, furniture and fixtures	5,798,034	3,917,650	9,715,684	98,715,513
Infrastructure and site improvements	29,807,125	1,133,544	30,940,669	-
Construction in progress	288,722	4,599,458	4,888,180	1,999,311
Less: accumulated depreciation	(84,709,642)	(39,362,098)	(124,071,740)	(62,405,512)
Total capital assets (net of accumulated depreciation):	112,928,362	36,743,956	149,672,318	38,566,703
Equity interest in joint venture	284,616	-	284,616	1,408,609
Total noncurrent assets	113,212,978	36,743,956	149,956,934	39,975,312
Total assets	169,368,893	54,994,143	224,363,036	181,277,875
Deferred outflows of resources				
Pensions	-	-	-	1,531,668
Interest rate swap	93,025	-	93,025	-
Total deferred outflows of resources	93,025	-	93,025	1,531,668
Liabilities				
Current liabilities:				
Accounts payable	1,362,789	999,268	2,362,057	2,966,318
Accrued liabilities	298,711	621,331	920,042	328,575
Customer deposits	294,812	-	294,812	6,493
Unearned revenue	77,083	127,125	204,208	-
Due to other funds	2,214,000	136,000	2,350,000	1,681,000
Long-term debt due within one year	5,974,537	-	5,974,537	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	10,221,932	1,883,724	12,105,656	10,082,386
Noncurrent liabilities:				
Long-term debt due in more than one year	89,461,214	-	89,461,214	-
Estimated claims liability	-	-	-	15,350,000
Net pension liability	-	-	-	4,879,884
Derivative instrument - interest rate swap	93,025	-	93,025	-
Total noncurrent liabilities	89,554,239	-	89,554,239	20,229,884
Total liabilities	99,776,171	1,883,724	101,659,895	30,312,270
Deferred inflows of resources				
Pensions	-	793,152	793,152	149,012
Total deferred inflows of resources	-	793,152	793,152	149,012
NET POSITION				
Net investment in capital assets	17,492,611	36,743,956	54,236,567	38,566,703
Unrestricted	52,193,136	15,573,311	67,766,447	113,781,558
Total net position	$ 69,685,747	$ 52,317,267	$ 122,003,014	$ 152,348,261

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, 2019

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Operating revenues				
Charges for services	$ 5,722,012	$ 8,908,696	$ 14,630,708	$ 48,937,411
Total operating revenues	5,722,012	8,908,696	14,630,708	48,937,411
Operating expenses				
Personal services	-	194,018	194,018	3,790,480
Materials & supplies	287,195	129,613	416,808	4,303,398
Depreciation & amortization	4,267,493	1,818,377	6,085,870	8,223,272
Other operating expenses	11,344,358	6,677,618	18,021,976	29,715,599
Total operating expenses	15,899,046	8,819,626	24,718,672	46,032,749
Operating income (loss)	(10,177,034)	89,070	(10,087,964)	2,904,662
Nonoperating revenues (expense)				
Interest income	1,032,841	374,265	1,407,106	2,775,569
Intergovernmental revenue	16,756,326	25,000	16,781,326	1,080
Other revenues (expenses)	74,881	588,377	663,258	1,169,747
Interest expense	(2,582,953)	-	(2,582,953)	-
Total nonoperating revenues (expenses)	15,281,095	987,642	16,268,737	3,946,396
Income (loss) before transfers and capital contributions	5,104,061	1,076,712	6,180,773	6,851,058
Transfers in	3,603,329	5,454,780	9,058,109	2,285,612
Transfers out	(477,190)	(296,830)	(774,020)	(586,319)
Capital contributions	-	-	-	442,720
Change in net position	8,230,200	6,234,662	14,464,862	8,993,071
Net position, beginning of year	61,455,547	46,082,605	107,538,152	143,355,190
Net position, end of year	$ 69,685,747	$ 52,317,267	$ 122,003,014	$ 152,348,261

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, 2019

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Operating activities				
Cash received from customers and users	$ 6,190,246	$ 9,058,626	$ 15,248,872	$ -
Receipts from interfund services provided	-	-	-	48,578,949
Cash paid to suppliers	(11,357,948)	(7,642,048)	(18,999,996)	(13,252,604)
Cash paid to employees	-	(193,572)	(193,572)	(3,846,585)
Cash paid for interfund services used	-	-	-	(1,500,633)
Payments of claims and insurance	-	-	-	(19,439,087)
Net cash provided by (used in) operating activities	(5,167,702)	1,223,006	(3,944,696)	10,540,040
Noncapital financing activities				
Transfers from other funds	1,467,329	3,837,780	5,305,109	(715,005)
Transfers to other funds	(477,190)	(181,830)	(659,020)	-
Tax and intergovernmental revenues	16,831,207	613,377	17,444,584	1,254,134
Net cash provided by (used in) noncapital financing activities	17,821,346	4,269,327	22,090,673	539,129
Capital and related financing activities				
Principal paid on general obligation bond maturities	(5,693,937)	-	(5,693,937)	-
Interest paid	(2,582,953)	-	(2,582,953)	-
Acquisition and construction of capital assets	(2,820,494)	(14,605,853)	(17,426,347)	(7,481,140)
Capital contributions	-	-	-	359,411
Net cash provided by (used in) capital and related financing activities	(11,097,384)	(14,605,853)	(25,703,237)	(7,121,729)
Investing activities				
Sales/(purchases) of investments, net	141,929	8,779,581	8,921,510	(8,116,771)
Investment earnings	1,032,841	374,265	1,407,106	2,775,569
Net change in equity investment in joint venture	(272,898)	19,052	(253,846)	231,375
Net cash provided by (used in) investing activities	901,872	9,172,898	10,074,770	(5,109,827)
Net increase (decrease) in cash and cash equivalents	2,458,132	59,378	2,517,510	(1,152,387)
Cash and cash equivalents				
Beginning of year	581,798	1,110,449	1,692,247	2,929,460
End of year	$ 3,039,930	$ 1,169,827	$ 4,209,757	$ 1,777,073

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, 2019

	Enterprise Funds			
	Knoxville Convention Center	Other Nonmajor Activities	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (10,177,034)	$ 89,070	$ (10,087,964)	$ 2,904,662
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,267,493	1,818,377	6,085,870	8,223,272
Pension expense (negative expense)	-	(264,385)	(264,385)	(65,755)
Change in assets and liabilities				
(Increase) decrease in receivables	359,402	222,515	581,917	(358,462)
(Increase) decrease in prepayments	6,214	10,569	16,783	-
(Increase) decrease in inventories	(8,299)	5,647	(2,652)	(20,889)
Increase (decrease) in accounts payable	240,538	(424,481)	(183,943)	(310,464)
Increase (decrease) in accrued expenses	35,152	(167,790)	(132,638)	14,314
Increase (decrease) in deferred revenue	(27,086)	(66,516)	(93,602)	-
Increase (decrease) in customer deposits	135,918	-	135,918	(96,638)
Increase (decrease) in estimated liability for litigation and claims	-	-	-	250,000
Total adjustments	5,009,332	1,133,936	6,143,268	7,635,378
Net cash provided by (used in) operating activities	$ (5,167,702)	$ 1,223,006	$ (3,944,696)	$ 10,540,040

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	City Employees' Pension Trust Fund	Combined Agency Funds
Assets		
Cash	$ 1,865	$ 147,478
Cash equivalents	5,378,591	-
United States government securities	72,696,235	-
State & municipal government securities	1,276,039	66,821
International securities	137,776,233	-
Corporate bond & indentures	54,801,792	-
Real estate investment trusts	89,530,063	-
Domestic equity securities	186,294,225	-
Alternative assets	57,974,489	
Pending sales proceeds	635,441	-
Other receivables	54	285,742
Accrued interest & dividends	1,153,638	-
Due from other funds	-	1,000,000
Equipment, furniture & fixtures	30,234	-
Accumulated depreciation	(26,791)	-
Total assets	$ 607,522,108	$ 1,500,041
Liabilities		
Accounts payable	586,004	-
Investment purchases pending	768,315	-
Health care claims liability	-	1,474,041
Due to other funds	-	26,000
Total liabilities	$ 1,354,319	$ 1,500,041
Net Position Restricted for Pensions	$ 606,167,789	

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, 2019

	City Employees' Pension Trust Fund
Additions	
Employee contributions	$ 4,290,930
Employer contributions	28,710,668
Total contributions	33,001,598
Investment earnings:	
Interest and dividends	9,817,054
Net appreciation/(depreciation) in the fair value of investments	24,487,974
Other income	161,326
Total investment earnings (loss)	34,466,354
Less investment expense	(3,673,887)
Net investment earnings (loss)	30,792,467
Total additions (net)	63,794,065
Deductions	
Benefits paid	46,951,343
Refunds	597,616
Administration expenses	665,290
Total deductions	48,214,249
Change in net position	15,579,816
Total net position - beginning	590,587,973
Total net position - ending	$ 606,167,789

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

COMBINING STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2019

	Component Units			
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Assets				
Cash and cash equivalents	$ 91,639,940	$ 20,232,142	$ 2,547,197	$ 114,419,279
Investments	136,444,385	38,394,976	2,019,881	176,859,242
Receivables (net of allowance for uncollectibles):				
Accounts	76,689,091	9,294,993	6,585,024	92,569,108
TVA conservation program	2,961,311	-	-	2,961,311
Other	159,019	1,271,513	-	1,430,532
Inventories	22,127,455	-	1,352,703	23,480,158
Prepaid items	8,125,692	1,450,130	-	9,575,822
Deferred charges	-	931,220	-	931,220
Restricted assets:				
Temporarily restricted:				
Bond funds	35,948,463	1,477,645	-	37,426,108
Receivables	-	923,000	-	923,000
Other	21,482	-	-	21,482
Other assets	15,734,293	-	-	15,734,293
Capital assets:				
Land and site improvements	-	160,106,502	2,199,236	162,305,738
Buildings and improvements	-	172,674,934	32,599,049	205,273,983
Utility plant in service	2,720,121,544	-	-	2,720,121,544
Equipment, furniture and fixtures	-	23,474,891	39,303,096	62,777,987
Infrastructure and site improvements	-	-	557,914	557,914
Construction in progress	217,073,804	96,558,646	138,641	313,771,091
Less accumulated depreciation	(917,026,275)	(219,490,434)	(35,535,016)	(1,172,051,725)
Total assets	2,410,020,204	307,300,158	51,767,725	2,769,088,087
Deferred outflows of resources				
Pensions	17,252,635	-	-	17,252,635
OPEB	2,493,180	-	-	2,493,180
Unamortized bond refundings	21,462,880	1,069,444	-	22,532,324
Total deferred outflows of resources	41,208,695	1,069,444	-	42,278,139
Liabilities				
Accounts payable	52,856,172	5,165,785	700,386	58,722,343
Matured principal & interest on bonds	14,675,955	-	-	14,675,955
Accrued liabilities	20,412,212	1,617,474	648,286	22,677,972
Due to primary government	-	-	2,584,000	2,584,000
Customer deposits, plus accrued interest	20,674,169	-	-	20,674,169
Accrued interest	-	10,784	-	10,784
Noncurrent liabilities:				
Long-term debt due within one year	39,970,000	5,580,000	-	45,550,000
Long-term debt due in more than one year	1,101,955,000	51,465,000	-	1,153,420,000
Other liabilities	23,323,109	-	-	23,323,109
Unamortized premiums/discounts	33,071,871	-	-	33,071,871
Net pension liability	6,881,639	-	-	6,881,639
Net OPEB liability	1,447,742	-	-	1,447,742
Derivative instruments - interest rate swaps	-	405,479	-	405,479
Total liabilities	1,315,267,869	64,244,522	3,932,672	1,383,445,063
Deferred inflows of resources				
Pensions	3,843,381	-	-	3,843,381
Deferred revenue	-	-	1,433,998	1,433,998
Total deferred inflows of resources	3,843,381	-	1,433,998	5,277,379
Net position				
Net investment in capital assets	871,180,151	173,637,819	39,262,920	1,084,080,890
Restricted for:				
Debt service	21,272,508	-	-	21,272,508
Other	21,482	2,400,645	-	2,422,127
Unrestricted	239,643,508	68,086,616	7,138,135	314,868,259
Total net position	$ 1,132,117,649	$ 244,125,080	$ 46,401,055	$ 1,422,643,784

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

COMBINING STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Component units:								
Knoxville Utilities Board	$ 758,347,517	$ 815,389,718	$ -	$ 1,103,607	$ 58,145,808	$ -	$ -	$ 58,145,808
Metropolitan Knoxville Airport Authority	35,281,331	38,644,259	-	27,536,133	-	30,899,061	-	30,899,061
Knoxville Area Transit	32,563,658	6,621,311	3,330,800	8,835,070	-	-	(13,776,477)	(13,776,477)
Total component units	$ 826,192,506	$ 860,655,288	$ 3,330,800	$ 37,474,810	$ 58,145,808	$ 30,899,061	$ (13,776,477)	$ 75,268,392
		General revenues:						
		Intergovernmental revenue, unrestricted			-	-	12,368,700	12,368,700
		Other unrestricted revenue (expense)			566,668	5,765,705	(1,931,508)	4,400,865
		Unrestricted investment earnings			6,625,915	1,186,326	-	7,812,241
		Total general revenues			7,192,583	6,952,031	10,437,192	24,581,806
		Change in net position			65,338,391	37,851,092	(3,339,285)	99,850,198
		Net position - beginning			1,066,779,258	206,273,988	49,740,340	1,322,793,586
		Net position - ending			$1,132,117,649	$ 244,125,080	$ 46,401,055	$ 1,422,643,784

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

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
Knoxville-Knox County Animal Center

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

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.

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. The agency funds have no measurement focus. 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.

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.

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

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

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

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

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

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

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

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

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

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 land for development and supplies held for consumption.

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

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

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

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Knoxville Convention Center was $2,582,953 and no interest was capitalized because there were no major construction projects associated with the Convention Center in the current year.

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Derivative financial instruments - Derivative financial instruments consist of interest rate swap agreements and are accounted for at fair value in accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The City analyzes its derivative financial instruments into hedging derivative instruments and investment derivative instruments. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Position as either deferred inflows or deferred outflows. If a derivative is classified as an investment derivative instrument, changes in its fair value are reported on the Statement of Activities in the period in which they occur.

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.

Deferred inflows of resources - In addition to liabilities, the balance sheets and statements of net position will sometimes report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The City has three 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, and *deferred revenue* arises from amounts equal to loans receivable and other awards that are subject to grant time restrictions. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

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

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

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

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

Stabilization Arrangement - 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, 2019, the City met the minimum general fund balance policy. See Note 12.

Environmental Cleanup Matters - The Knoxville Utilities Board accrues environmental cleanup costs when those costs are believed to be both probable and reasonably estimated. For certain matters, KUB expects to share costs with other parties. KUB does not include anticipated recoveries from insurance carriers in the estimated liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Postemployment Benefits - Postemployment pension benefits are accounted for under GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, which establishes standards for the measurement, recognition and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information. See additional information regarding the City's pension benefits in Note 20. The City's Retirement Plan (City of Knoxville Pension System) issues a separate, publically available financial report under the requirements of GASB Statement No. 67, as further described in Note 19.

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

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

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

Accounting Pronouncements

The City adopted GASB Statement No. 83, Certain Asset Retirement Obligations, required for fiscal periods beginning after June 15, 2018, in fiscal 2019. This Statement enhances comparability of financial statements among governments by establishing uniform criteria for recognizing and measuring certain asset retirement obligations (ARO's) and enhances the usefulness of information by requiring disclosures related to ARO's.

The City plans to adopt GASB Statement No. 84, Fiduciary Activities, required for fiscal periods beginning after December 15, 2018, in fiscal 2020. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

The City plans to adopt GASB Statement No. 87, Leases, required for fiscal periods beginning after December 15, 2019, in fiscal 2021. This Statement increases the usefulness of financial statement by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements.

The City adopted GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, required for fiscal periods beginning after June 15, 2018, in fiscal 2019. This Statement improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City plans to adopt GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, required for fiscal periods beginning after December 15, 2019, in fiscal 2021. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

The City plans to adopt GASB Statement No. 90, Majority Equity Interests, required for fiscal periods beginning after December 15, 2018, in fiscal 2020. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

The City plans to adopt GASB Statement No. 91, Conduit Debt Obligations, required for fiscal periods beginning after December 15, 2020, in fiscal 2022. This Statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City is required by its charter to adopt annual budgets for those operating funds that are under the direct control of City Council. This includes all governmental funds except the Miscellaneous Grants Fund, Knoxville Civic Revitalization Fund, Krutch Park Fund and some of the Miscellaneous Community Development Funds. 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 2019.

General Fund	$10,555,953
Special Revenue Funds	32,741
Enterprise Funds	2,242,504
Internal Service Funds	1,682,756
Capital Projects Fund	5,605,210

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.

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)
Enterprise Funds						
Knoxville Convention Center	$ 24,228,260	$ 27,189,389	$ 2,961,129	$ 24,228,260	$ 18,959,189	$ 5,269,071
Metro Parking	7,088,630	6,152,253	(936,377)	7,088,630	4,086,537	3,002,093
Public Assembly Facilities	16,339,930	7,664,461	(8,675,469)	16,339,930	3,350,780	12,989,150
City Golf Courses	1,741,520	1,534,404	(207,116)	1,741,520	1,679,139	62,381
Knoxville Area Transit						
(Component Unit)	26,641,414	31,155,881	4,514,467	26,641,414	34,495,166	(7,853,752)
Internal Service Funds						
Fleet Maintenance	17,355,807	19,157,510	1,801,703	17,355,807	14,145,153	3,210,654
Risk Management	6,870,255	7,598,690	728,435	6,870,255	6,837,953	32,302
Employee Health Insurance	21,425,679	21,066,361	(359,318)	21,425,679	20,039,609	1,386,070
Equipment Replacement	4,598,655	5,489,515	890,860	4,598,655	2,766,957	1,831,698
City Buildings	2,853,860	2,301,204	(552,656)	2,853,860	2,830,537	23,323

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 10 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.

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, 2019, 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, 2019, the City held securities in various municipal bonds of $35 million or approximately 8% 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

As of June 30, 2019, the City had the following investments and maturities.

Investments:	Fair Value	Less Than 1 Year	1 - 2 Years	2 - 4 Years
Primary Government:				
U.S. Government Agencies:				
Federal Home Loan Bank (FHLB)	$ 18,805,258	$ 5,987,256	$ 9,770,422	$ 3,047,580
Private Equity Funding Corporation (PEFCO)	2,504,685	999,906	1,504,779	-
Federal Farm Credit Bureau (FFCB)	17,502,186	6,490,412	6,995,218	4,016,556
Federal Home Loan Mortgage Corporation (FHLMC)	1,444,560	-	994,605	449,955
Tennessee Valley Authority	499,523	499,523	-	-
Other Governmental Bonds	46,149,500	25,390,010	13,982,214	6,777,276
Certificates of Deposit	8,041,225	2,751,025	2,497,657	2,792,543
Bankers Acceptance	1,990,010	1,990,010	-	-
Corporate Equities	499,532	499,532	-	-
Tennessee Local Government Investment Pool	356,256,940	356,256,940	-	-
	$ 453,693,419	$ 400,864,614	$ 35,744,895	$ 17,083,910
Fiduciary Activities:				
Tennessee Local Government Investment Pool	$ 66,821	$ 66,821	$ -	$ -

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

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

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Deposits:				
Bank balances	$ 97,532,499	$ 21,709,787	$ 2,547,197	$ 1,865
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	$ 91,639,940	$ 21,709,787	$ 2,547,197	$ 1,865
Certificates of deposit	5,892,559	-	-	-
Total deposits - carrying value	$ 97,532,499	$ 21,709,787	$ 2,547,197	$ 1,865

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund	Total Amount	Fair Value
Investments:						
Cash equivalents	$ -	$ -	$ -	$ 5,378,591	$ 5,378,591	$ 5,378,591
United States government securities	155,394,705	38,394,976	-	72,696,235	266,485,916	266,485,916
Domestic equity securities	-	-	-	186,294,225	186,294,225	186,294,225
Corporate bonds	-	-	-	54,801,792	54,801,792	54,801,792
State and municipal government securities	-	-	-	1,276,039	1,276,039	1,276,039
Real estate investment trusts	-	-	-	89,530,063	89,530,063	89,530,063
Alternative assets	-	-	-	57,974,489	57,974,489	57,974,489
International securities	-	-	-	137,776,233	137,776,233	137,776,233
Total classified investments	155,394,705	38,394,976	-	605,727,667	799,517,348	799,517,348
Investments not categorized:						
Investments in state treasurer's investment pool	10,558,907	-	2,019,881	-	12,578,788	12,578,788
Total investments	$ 165,953,612	$ 38,394,976	$ 2,019,881	$ 605,727,667	$ 812,096,136	$ 812,096,136
Total deposits and investments	$ 263,486,111	$ 60,104,763	$ 4,567,078	$ 605,729,532		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	$ 91,639,940	$ 20,232,142	$ 2,547,197	$ 1,865
Investments	136,444,385	38,394,976	2,019,881	605,727,667
Unused bond proceeds	-	1,477,645	-	-
Bond funds	35,948,463	-	-	-
Other temporarily restricted assets	21,482	-	-	-
	264,054,270	60,104,763	4,567,078	605,729,532
Less accrued interest	(568,159)	-	-	-
Total deposits and investments	$ 263,486,111	$ 60,104,763	$ 4,567,078	$ 605,729,532

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 investment in certain municipal bonds are valued as Level 2 inputs. 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.

NOTE 5 - FAIR VALUE MEASUREMENT

As discussed in Note 1, the City of Knoxville Pension System (System) is included in the City's CAFR 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, 2019:

		Fair Value Measurements Using		
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Government Agencies	$ 40,756,212	$ 40,756,212	$ -	$ -
State and Municipal Bonds	46,149,500	10,910,114	35,239,386	-
Bankers Acceptance	1,990,010	1,990,010	-	-
Equity Securities	499,532	499,532	-	-
Certificates of Deposit	8,041,225	8,041,225	-	-
	$ 97,436,479	$ 62,197,093	$ 35,239,386	$ -

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

		Fair Value Measurements Using		
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fiduciary Activities:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	$ 38,315,888	$ 38,315,888	$ -	$ -
U.S. Government Backed Securities	2,267,699	2,267,699	-	-
Commercial Mortgage-Backed Securities	2,978,691	-	2,978,691	-
Asset Backed Securities	4,115,154	-	4,115,154	-
Residential Mortgage-Backed Securities	14,598,007	-	14,598,007	-
Corporate Bonds	53,393,678	53,393,678	-	-
Municipal Bonds	1,323,059	1,323,059	-	-
TIPS	20,147,572	20,147,572	-	-
Mutual Funds:				
U.S. Aggregate Bond Index	-	-	-	-
Total Debt Securities	137,139,748	115,447,896	21,691,852	-
Equity Securities:				
Consumer Discretionary	11,223,534	11,223,534	-	-
Consumer Staples	377,632	377,632	-	-
Energy	10,142,548	10,142,548	-	-
Financials	17,903,606	17,903,606	-	-
Healthcare	4,147,008	4,147,008	-	-
Industrials	6,052,302	6,052,302	-	-
Information Technology	10,803,578	10,803,578	-	-
Materials	1,193,026	1,193,026	-	-
Reit Financials	1,859,671	1,859,671	-	-
Telecommunications Services	15,779,339	15,779,339	-	-
Utilities	872,258	872,258	-	-
Mutual Funds:				
Large Cap Growth	46,480,031	46,480,031	-	-
Total Equity Securities	$ 126,834,533	$ 126,834,533	$ -	$ -

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

		Fair Value Measurements Using (Continued)		
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Equity:				
Debt	$ 5,940,251	$ -	$ -	$ 5,940,251
Diversified	6,188,633	-	-	6,188,633
Energy	8,640,292	-	-	8,640,292
International	4,671,906	-	-	4,671,906
Secondary Markets	5,314,666	-	-	5,314,666
Venture Capital	3,807,191	-	-	3,807,191
Total Private Equity	$ 34,562,939	$ -	$ -	$ 34,562,939
Total Investments by fair value level	$ 298,537,220	$ 242,282,429	$ 21,691,852	$ 34,562,939
Investments measured at the net asset value (NAV)				
Multi-strategy Hedge Fund	15,016,560			
Real Estate Funds	50,077,407			
International Equities	121,941,283			
Master Limited Partnerships	22,472,027			
Defensive Equity	26,493,173			
Risk Parity	42,957,929			
International - Emerging Market Debt	23,411,409			
Total investment measured at the NAV	302,369,788			
Total investments measured at fair value	600,907,008			
Cash held by money managers	5,841,423			
Total Investment Assets	$ 606,748,431	(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.

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.

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.

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.

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy Hedge Fund	$ 15,016,560	$ -	Semi-annual	95 days
Real Estate Funds	50,077,407	-	Quarterly, Daily	45 days, 1 day
International Equities	121,941,283	-	Monthly	10 - 30 days
Master Limited Partnerships	22,472,027	-	Daily	3 days
Defensive Equity	26,493,173	-	Monthly	5 days
Risk Parity	42,957,929	-	Monthly	3 days
International - Emerging Market Debt	23,411,409	-	Monthly	3 days
Total investment measured at the NAV	$ 302,369,788	$ -		
Private Equity:				
Debt	$ 5,940,251	$ 3,525,000		
Diversified	6,188,633	3,699,320		
Energy	8,640,292	772,929		
International	4,671,906	1,096,101		
Secondary Markets	5,314,666	5,320,000		
Venture Capital	3,807,191	146,411		
Total Private Equity	$ 34,562,939	$ 14,559,761		

Multi-Strategy Hedge Fund **-** The System has one manager which is a fund of smaller funds that invests in several dozen hedge fund strategies where each underlying hedge fund strategy can have varying focus or investment style. Fair values of the portfolios, determined using the NAV per share and are adjusted monthly, but fully reevaluated semi-annually. Proceeds from the fund can only be drawn at the semi-annual valuation. The goal of this investment is to provide growth to the portfolio that is uncorrelated to traditional stock and bond investing.

Real Estate **-** This type includes two managers that invest in commercial real estate properties all 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 three 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.

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Master Limited Partnerships - This investment type consists of one manager that invests in publicly-traded companies that own infrastructure that is used to transport various energy products across the U.S. These companies set long-term contracts with energy producers/extractors and charge based on volume of energy that passes through their infrastructure. Fair value of this portfolio is determined daily using the NAV per share of the investment subject to long-term contract values as estimated on the basis of future expected production and estimated residual values discounted at interest rates commensurate with the risks involved. Proceeds are only able to be added or withdrawn on a monthly basis. The goal of these investments is to provide growth and a diversification away from many aspects of the traditional economic cycle.

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

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.

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2019, 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	$ 862,989	$ 161,490	$ 77,512	$ 66,159	$ 3,621	$ -	$ 1,171,771
Debt service fund	-	233,136	-	-	817	-	233,953
Capital projects fund	-	100,711	3,074,597	-	-	-	3,175,308
Special revenue funds:							
Miscellaneous community development funds	-	-	42,140	-	-	-	42,140
Other governmental funds	1,265,821	-	952,320	107,354	6,410	-	2,331,905
Knoxville Convention Center	1,657,026	27,972	-	-	1,065,099	-	2,750,097
Other enterprise funds	-	-	205,864	98,211	-	-	304,075
Internal service funds	-	90,409	-	562,675	-	-	653,084
Total primary government	3,785,836	613,718	4,352,433	834,399	1,075,947	-	10,662,333
Component units:							
Knoxville Utilities Board	2,961,311	159,019	-	74,736,600	2,542,380	(589,889)	79,809,421
Metropolitan Knoxville Airport Authority	-	58,994	8,354,367	1,863,626	1,212,519	-	11,489,506
Knoxville Area Transit	-	-	6,585,024	-	-	-	6,585,024
Total reporting entity	$ 6,747,147	$ 831,731	$ 19,291,824	$ 77,434,625	$ 4,830,846	$ (589,889)	$ 108,546,284
Fiduciary Activities:							
City Employees' Pension Trust Fund	$ -	$ 1,153,638	$ -	$ -	$ 54	$ -	$ 1,153,692
Combined Agency Funds	-	-	-	-	285,742	-	285,742
Total fiduciary activities	$ -	$ 1,153,638	$ -	$ -	$ 285,796	$ -	$ 1,439,434

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following**:**

Governmental Funds:	
Notes Receivable	
General Fund	$ 2,226,752
Special Revenue Fund - Miscellaneous Community Development Funds	10,664,352
Other Governmental Funds - Community Development Block Grant Funds	1,668,831
Miscellaneous Special Revenue Funds	2,900,000
Total Notes Receivable	$ 17,459,935

The $10,664,352 due to the Miscellaneous to Community Development Funds and the $4,568,831 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 $15,233,183 is included in deferred inflows of resources.

Metropolitan Knoxville Airport Authority

The Metropolitan Airport Authority, as lessor, leases certain capital assets under operating leases expiring in various years through 2054. As of June 30, 2019, minimum future base rentals to be received on noncancellable leases are as follows:

Year Ended June 30,	
2020	$ 11,848,371
2021	9,900,850
2022	9,419,477
2023	9,407,678
2024	3,870,825
Thereafter	13,429,453
Total	$57,876,654

Under the terms of one of the Metropolitan Knoxville Airport Authority leases, payments in future years increase significantly. The Authority recognizes income from this lease on a straight-line basis, considering total payments over the lease term. Accordingly, advance rents of approximately $447,000 are included in other noncurrent assets in the accompanying statement of net position as of June 30, 2019. Airport Authority contingent rentals, which consist primarily of rental car concessions and other similar revenues, amounted to $3,108,117 for the year ended June 30, 2019.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
Governmental activities:				
Nondepreciable:				
Land & site improvements	$ 84,377,714	$ 61,007	$ -	$ 84,438,721
Artwork	106,819	31,060	-	137,879
Construction in progress	12,201,621	5,405,202	(7,325,680)	10,281,143
Total nondepreciable capital assets	96,686,154	5,497,269	(7,325,680)	94,857,743
Depreciable:				
Buildings and building improvements	74,539,546	2,939,626	-	77,479,172
Equipment, furniture and fixtures	108,877,938	16,735,597	(6,572,287)	119,041,248
Infrastructure and site improvements	423,661,764	35,623,975	-	459,285,739
Total depreciable capital assets	607,079,248	55,299,198	(6,572,287)	655,806,159
Accumulated depreciation:				
Buildings and building improvements	(33,088,888)	(2,521,210)	-	(35,610,098)
Equipment, furniture and fixtures	(69,160,984)	(9,259,392)	6,401,786	(72,018,590)
Infrastructure and site improvements	(224,497,584)	(14,434,199)	-	(238,931,783)
Total accumulated depreciation	(326,747,456)	(26,214,801)	6,401,786	(346,560,471)
Total depreciable capital assets, net	280,331,792	29,084,397	(170,501)	309,245,688
Governmental activities capital assets, net	$ 377,017,946	$ 34,581,666	$ (7,496,181)	$ 404,103,431
Business-type activities:				
Nondepreciable:				
Land & site improvements	$ 7,336,303	$ -	$ -	$ 7,336,303
Artwork	764,875	-	-	764,875
Construction in progress	2,470,008	4,888,180	(2,470,008)	4,888,180
Total nondepreciable capital assets	10,571,186	4,888,180	(2,470,008)	12,989,358
Depreciable:				
Buildings and building improvements	208,288,667	12,574,555	-	220,863,222
Equipment, furniture and fixtures	9,014,222	384,661	(448,074)	8,950,809
Infrastructure and site improvements	28,891,710	2,048,959	-	30,940,669
Total depreciable capital assets	246,194,599	15,008,175	(448,074)	260,754,700
Accumulated depreciation:				
Buildings and building improvements	(98,357,045)	(4,618,913)	-	(102,975,958)
Equipment, furniture and fixtures	(6,064,893)	(393,637)	448,074	(6,010,456)
Infrastructure and site improvements	(14,012,006)	(1,073,320)	-	(15,085,326)
Total accumulated depreciation	(118,433,944)	(6,085,870)	448,074	(124,071,740)
Total depreciable capital assets, net	127,760,655	8,922,305	-	136,682,960
Business-type activities capital assets, net	$ 138,331,841	$ 13,810,485	$ (2,470,008)	$ 149,672,318
Fiduciary activities:				
Knoxville Employees' Pension Plan				
Depreciable: Equipment, furniture and fixtures	$ 28,889	$ 4,618	$ (3,273)	$ 30,234
Accumulated Depreciation	(25,998)	(4,066)	3,273	(26,791)
Total Knoxville Employees' Pension Plan	$ 2,891	$ 552	$ -	$ 3,443

NOTE 8 - CAPITAL ASSETS - Continued

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

Governmental Activities	
General	$ 10,156,938
Public Safety	2,125,564
Physical Environment	11,144,012
Economic Development	65,999
Parks and Recreation	1,880,360
Health and Sanitation	322,475
	$ 25,695,348

Business-type Activities	
Knoxville Convention Center	$ 4,267,493
Metro Parking	1,179,520
Public Assembly Facilities	582,178
Municipal Golf Courses	56,679
	$ 6,085,870

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Component Units				
Knoxville Utilities Board				
Nondepreciable: Construction in Progress	$ 153,685,841	$ 195,236,025	$ (131,848,062)	$ 217,073,804
Depreciable:				
Pumping and treatment plant	319,316,982	14,159,127	(2,317,357)	331,158,752
Distribution & collection plant	2,116,299,712	113,430,327	(26,920,230)	2,202,809,809
General plant	181,111,380	7,796,309	(2,754,706)	186,152,983
Total depreciable assets	2,616,728,074	135,385,763	(31,992,293)	2,720,121,544
Accumulated depreciation	(872,419,331)	(77,516,402)	32,909,458	(917,026,275)
Total depreciable capital assets, net	1,744,308,743	57,869,361	917,165	1,803,095,269
Total Knoxville Utilities Board	$ 1,897,994,584	$ 253,105,386	$ (130,930,897)	$ 2,020,169,073
Metropolitan Knoxville Airport Authority				
Nondepreciable:				
Land	$ 39,820,418	$ 803,075	$ (1,368,154)	$ 39,255,339
Construction in progress	74,299,232	33,360,044	(11,100,630)	96,558,646
Total nondepreciable capital assets	114,119,650	34,163,119	(12,468,784)	135,813,985
Depreciable:				
Land improvements	119,124,106	1,997,958	(270,901)	120,851,163
Buildings and building improvements	171,666,530	1,008,404	-	172,674,934
Equipment, furniture and fixtures	15,135,396	8,594,274	(254,779)	23,474,891
Total depreciable capital assets	305,926,032	11,600,636	(525,680)	317,000,988
Accumulated depreciation:				
Land improvements	(91,898,235)	(3,073,806)	240,922	(94,731,119)
Buildings and building improvements	(107,914,675)	(5,462,321)	-	(113,376,996)
Equipment, furniture and fixtures	(10,404,354)	(1,204,218)	226,253	(11,382,319)
Total accumulated depreciation	(210,217,264)	(9,740,345)	467,175	(219,490,434)
Total depreciable capital assets, net	95,708,768	1,860,291	(58,505)	97,510,554
Total Metropolitan Knoxville Airport Authority	$ 209,828,418	$ 36,023,410	$ (12,527,289)	$ 233,324,539
Knoxville Area Transit				
Nondepreciable:				
Land	$ 2,199,236	$ -	$ -	$ 2,199,236
Artwork	49,000	-	-	49,000
Construction in progress	-	138,641	-	138,641
Total nondepreciable capital assets	2,248,236	138,641	-	2,386,877
Depreciable:				
Buildings and building improvements	32,599,049	-	-	32,599,049
Infrastructure and site improvements	557,914	-	-	557,914
Equipment, vehicles, furniture and fixtures	38,541,440	712,656	-	39,254,096
Total depreciable capital assets	71,698,403	712,656	-	72,411,059
Accumulated depreciation:				
Buildings and building improvements	(10,812,108)	(1,026,725)	-	(11,838,833)
Infrastructure and site improvements	(37,529)	(25,969)	-	(63,498)
Equipment, vehicles, furniture and fixtures	(20,649,862)	(2,982,823)	-	(23,632,685)
Total accumulated depreciation	(31,499,499)	(4,035,517)	-	(35,535,016)
Total depreciable capital assets, net	40,198,904	(3,322,861)	-	36,876,043
Total Knoxville Area Transit	$ 42,447,140	$ (3,184,220)	$ -	$ 39,262,920

NOTE 8 - CAPITAL ASSETS - Continued

In October 2018, the State of Tennessee (the State) brought four condemnation actions against the Metropolitan Knoxville Airport Authority under eminent domain laws to acquire certain parcels of real property owned by the Authority in connection with the Alcoa Highway Relocation Project. The State alleges it owes the Authority $6,530,005 for these parcels. 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 the current year, MKAA received approximately $5,340,000 with the remaining $1,190,000 recorded as a receivable at June 30, 2019. A gain of approximately $5,520,000 has been recognized related to this transaction.

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, 2019 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	$ 4,033,221	$ 17,086,000	$ (13,052,779)	$ 2,584,000	$ -
Debt Service Fund	400,000	-	400,000	-	-
Special Revenue Fund:					
State Street Aid	-	197,000	(197,000)	-	-
Community Development Block Grant	-	206,000	(206,000)	-	-
Abandoned Vehicles	-	4,000	(4,000)	-	-
City Inspections	-	9,000	(9,000)	-	-
City Court	-	609,000	(609,000)	-	-
Miscellaneous Grants	-	406,000	(406,000)	-	-
Miscellaneous Special Revenue	-	261,221	(261,221)	-	-
Storm Water	-	14,000	(14,000)	-	-
Solid Waste	-	86,000	(86,000)	-	-
Miscellaneous Community Development Funds	750,000	21,000	729,000	-	-
Knoxville Civic Revitalization	-	1,000	(1,000)	-	-
Capital Projects Fund	6,261,000	2,512,000	3,749,000	-	-
Internal Service Funds:					
Fleet Maintenance	1,500,000	-	1,500,000	-	-
Risk Management	-	149,000	(149,000)	-	-
Health Insurance	-	507,000	(507,000)	-	-
City Buildings	800,000	1,025,000	(225,000)	-	-
Total governmental activities	13,744,221	23,093,221	(9,349,000)	2,584,000	-
Business-Type Activities					
Knoxville Convention Center	5,225,000	2,214,000	3,011,000	-	-
Public Assembly Facilities	5,500,000	129,000	5,371,000	-	-
Metro Parking	-	7,000	(7,000)	-	-
Total business-type activities	10,725,000	2,350,000	8,375,000	-	-
Fiduciary Funds					
City Choice Plus Fund	-	26,000	(26,000)	-	-
Health Savings	1,000,000	-	1,000,000	-	-
	1,000,000	26,000	974,000	-	-
Component Units:					
Knoxville Area Transit	-	-	-	-	2,584,000
	$ 25,469,221	$ 25,469,221	$ -	$ 2,584,000	$ 2,584,000

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2019, are comprised of the following issues:

	General Obligation Bonds and Note Payable		
	Governmental Activities	Business-type Activities	Total
Primary Government			
General Obligation Bonds Series 2009 - VI-L-1 through the Public Building Authority of Sevier County, Tennessee maturing through 2020 with a floating interest rate	$ -	$ 3,575,000	$ 3,575,000
General Obligation Public Improvement Bond Series A-4-A maturing through 2032 with a floating interest rate	-	59,970,000	59,970,000
General Obligation Public Improvement Bond Series 2005A maturing through 2020 at varying rates of interest ranging from 3.0% to 5.0%	1,430,000	-	1,430,000
General Obligation Refunding Bonds Series 2012 maturing through 2025 at varying rates of interest ranging form 1.0% to 5.0%	16,547,480	31,087,520	47,635,000
General Obligation Bonds Series 2014 maturing through 2034 at varying rates of interest ranging from 2.8% to 3.2%	26,750,000	-	26,750,000
General Obligation Bonds Series 2018 maturing through 2028 at varying rates of interest ranging from 3.0% to 5.0%	13,335,000	-	13,335,000
Total General Obligation Bonds	58,062,480	94,632,520	152,695,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points	2,900,000	-	2,900,000
Total Primary Government	$ 60,962,480	$ 94,632,520	$ 155,595,000

NOTE 10 - LONG-TERM DEBT - Continued

	Revenue Bonds
Component Units:	
Knoxville Utilities Board:	
Electric Revenue Bonds Series Y to JJ, maturing through 2048 at varying rates of interest ranging from 1.45% to 6.35%	$ 322,170,000
Water Revenue Bonds Series U to HH maturing through 2048 at varying rates of interest ranging from 2.0% to 5.0%	192,820,000
Gas Revenue Bonds Series P to Y, maturing through 2048 at varying rates of interest ranging from 2.0% to 6.2%	114,940,000
Waste Water Revenue Bonds Series 2010, 2010C, 2012A, 2012B, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018 maturing through 2050 at varying rates of interest ranging from 1.18% to 6.5%	511,995,000
	$ 1,141,925,000
Metropolitan Knoxville Airport Authority:	
Local Government Public Improvement Bonds, 2008 Series V-A-1. During the current year, the Authority issued Series 2019A to provide funds to retire the 2022 through 2028 maturities. Remaining $8,880,000 is due in annual installments of $4,335,000 in 2020 and $4,545,000 in 2021. The bonds outstanding bear interest at a synthetic fixed rate of 5.22%. Interest is paid monthly.	$ 8,880,000
Airport Revenue Refunding Note Series 2017A, bears interest at a fixed rate of 1.95%. Remaining annual installments ranging from $650,000 to $1,400,000 through June 2026. Interest is paid annually.	8,595,000
Airport Revenue Refunding Note Series 2019A, bears interest at a fixed rate of 2.54%. Remaining annual installments ranging from $5,275,000 to $6,000,000 through June 2028. Interest is paid semiannually.	39,570,000
	$ 57,045,000

Each of the Divisions of the Knoxville Utilities Board have pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments of revenue bonds when due. Such bond requirements are being met through monthly deposits to the bond funds as required by the bond covenants. As of June 30, 2019, these requirements had been satisfied.

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
2020	$ 6,676,380	$ 1,882,498	$ 5,838,620	$ 2,950,070
2021	5,983,420	1,629,042	5,631,580	2,929,984
2022	6,369,660	1,338,371	5,920,340	3,129,977
2023	6,590,640	1,207,403	6,049,360	3,279,921
2024	6,803,210	1,035,496	6,231,790	3,464,138
2025-2029	16,839,170	3,026,750	37,725,830	12,168,528
2030-2034	11,350,000	1,012,750	27,235,000	2,483,100
2035-2036	350,000	-	-	-
	60,962,480	$ 11,132,310	94,632,520	$ 30,405,718
Unamortized premium	3,749,324		803,231	
Total	$ 64,711,804		$ 95,435,751	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
2020	$ 45,550,000	$ 44,229,668
2021	47,455,000	42,398,928
2022	50,095,000	40,415,942
2023	52,110,000	38,302,497
2024	54,145,000	36,187,688
2025-2029	259,245,000	152,903,537
2030-2034	209,685,000	111,719,392
2035-2039	198,295,000	76,316,218
2040-2044	195,080,000	38,260,369
2045-2049	85,735,000	6,435,238
2050	1,575,000	63,000
	$ 1,198,970,000	$ 587,232,477

Interest Swap Agreements

Primary Government

On May 15, 2002, the City entered into a $45,000,000 interest rate swap agreement with Wachovia First Union Bank. The intention of the agreement was to effectively change the City's variable interest rates on its General Obligation Bonds Series III-F bonds to a synthetic fixed rate. Principal payments on this agreement run through June 1, 2020. On December 16, 2009, the City refinanced the Series III-F loan as Series VI L-1 while maintaining the original III-F amortization schedule. The refinancing was done to achieve lower rates on the bonds by reissuing them without an insurance provision. The principal outstanding on these notes, subject to the swap agreement, as of June 30, 2019, is $3,575,000.

Objective of the Interest Rate Swaps - The objective of the swap agreement was to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt. The result of the swap was to effectively change the City's variable interest rates on its General Obligation Bonds Series III-F (now VI L-1) bonds to synthetic fixed rates.

NOTE 10 - LONG-TERM DEBT - Continued

Terms - The interest rate swap agreements are based on the same amortization schedules as the outstanding principal of the associated debt. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VI L-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The City pays Wells Fargo interest at a fixed rate of 3.955%. Wells Fargo pays the City of Knoxville interest at a variable rate based upon 70% of the one month USD-LIBOR-BBA (United States Dollar -London Inter-Bank Offer Rate -British Bankers' Association). Payments reflect net and are made only to the recipient party: the City, in the event of the floating rate exceeding the 3.955% fixed rate; and the counterparty, if the floating rate is less than the fixed rate.

The terms, rates, fair values, and credit ratings of the outstanding swaps as of June 30, 2019, were as follows:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Estimated Fair Value	Swap Term Date	Counter-Party Credit Rating
Business-Type Activities							
General Obligation Bonds							
Series VI-L-1 through Public Building Authority of Sevier County	$ 3,575,000	11/15/2012	3.955%	70% of 1 Month LIBOR	$ (93,025)	6/1/2020	A2

Fair Value - As of June 30, 2019, the swap had a negative fair value of $93,025. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounting those cash flows to their present value.

The current notional and fair value amounts of the outstanding swap as of June 30, 2019, were as follows:

	Changes in Fair Value		Fair Value at June 30, 2019		June 30, 2019
Associated Debt Issue	Classification	Amount	Classification	Amount	Notional Amount
Business -Type Activities					
Hedging Derivative					
Loan Payable to the Public Building Authority of Sevier County - Series VI-L1	Deferred Outflow of Resources	$ 135,162	Debt	$ (93,025)	$ 3,575,000

Credit Risk - As of June 30, 2019, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. During fiscal year 2009, Wells Fargo acquired Wachovia/First Union, thus assuming the swap agreement. This acquisition resulted in an improvement of the overall credit quality of the counterparty. As of June 30, 2019, the senior debt of Wells Fargo was rated A2 by Moody's Investor Services.

Basis Risk - The City, in 2012, converted both Series A-4-A and Series VI-L-1 variable rate debt to an index period bond. In doing this conversion the index used in the Series VI-L-1 bonds from a SIFMA based index to a LIBOR based index that exactly matches the index used in the swap. This index based bond runs for the entirety of the swap agreement and eliminates any basis risk.

NOTE 10 - LONG-TERM DEBT - Continued

Termination Risk - The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision," which states that the City of Knoxville or the counterparty may terminate the swap if the other party fails to perform under the terms of the contracts. If the swap is terminated, the variable-rate bond will no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City of Knoxville is liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty is liable to the City for a payment equal to the swap's fair value.

Swap Payments and Associated Debt - As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments for their terms are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

For the year ending June 30,	Principal	Interest	Net Interest Rate Swap Payment	Total
2020	3,575,000	160,875	(10,400)	3,725,475
	$ 3,575,000	$ 160,875	$ (10,400)	$ 3,725,475

Component units

Metropolitan Knoxville Airport Authority

Objective of the Interest Rate Swap - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Authority entered into an interest rate swap. The intention of the swap was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate.

The terms and fair values of the outstanding swap as of June 30, 2019, are as follows:

Associated Bond Issues	Outstanding Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date
Series V-A-1	$8,880,000	6/28/2001	4.355%	62.5% of 5 Year LIBOR	6/1/2021

Terms - The notional amounts of the swap matches principal amounts of the associated debt. Except as discussed under rollover risk, the Authority's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled reductions of the associated bond principal.

Fair Value - The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

NOTE 10 - LONG-TERM DEBT - Continued

Investment Derivative Instrument Risks

The Authority has an investment derivative associated with the Series V-A-1 bond. Accordingly, the $201,530 decrease in its fair value in fiscal year 2019 is reported as a change in fair value of investment interest rate swap in the nonoperating income portion of the Statements of Revenues, Expenses and Changes in Net Position. The estimated fair value of $405,479 has been reported as a long-term liability at June 30, 2018.

Credit risk: As of June 30, 2019, the Authority's investment derivative is not exposed to credit risk because the swap has a negative fair value and as such has no collateral requirements. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

For swap counterparty, Raymond James Financial Products, Inc. was rated Baa1/BBB+ by Moody's and Standard & Poor's, respectively, as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody's, Standard & Poor's and Fitch, respectively.

Interest rate risk: The Authority is exposed to interest rate risk on this instrument. As the LIBOR decreases, the Authority's net payment on the swap increases.

Scheduled Debt Service Requirements

As of June 30, 2019, scheduled debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

For the year ending	Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swap, net	Total
2020	$ 5,580,000	$ 1,337,265	$ 274,873	$ 7,192,138
2021	5,825,000	1,227,125	133,226	7,185,351
2022	6,585,000	1,110,768	-	7,695,768
2023	6,750,000	950,919	-	7,700,919
2024	6,915,000	787,056	-	7,702,056
Thereafter	25,390,000	1,498,178	-	26,888,178
	$ 57,045,000	$ 6,911,311	$ 408,099	$ 64,364,410

NOTE 10 - LONG-TERM DEBT - Continued

Advance and Current Refundings

Component units

Knoxville Utilities Board

During fiscal year 2011, KUB's Electric Division issued series Z 2010 bonds to fund electric system capital improvements. The 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 due to the United States Government sequestration. The reduction in rebate effective as of October 1, 2018 is 6.2 percent. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. During fiscal year 2018, KUB's Electric Division issued Series II 2017 bonds to fund electric system capital improvements. During fiscal year 2019, KUB's Electric Division issued Series JJ 2018 bonds to fund electric system capital improvements.

During fiscal year 2011, KUB's Gas Division issued Series P 2010 bonds to fund gas system capital improvements. The 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 due to the United States Government sequestration. The reduction in rebate effective as of October 1, 2018 is 6.2 percent. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change.

During fiscal year 2018, KUB's Gas Division issued Series X 2017 bonds to fund gas system capital improvements. During fiscal year 2019, KUB's Gas Division issued Series Y 2018 bonds to fund gas system capital improvements. During fiscal year 2018, KUB's Water Division issued GG 2017 bonds to fund water system capital improvements. During fiscal year 2019, KUB's Water Division issued HH 2018 bonds to fund water system capital improvements.

During fiscal year 2010, KUB's Wastewater Division issued Series 2010 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 due to the United States Government sequestration. The reduction in rebate effective as of October 1, 2018 is 6.2 percent. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. 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 due to the United States Government sequestration. The reduction in rebate effective as of October 1, 2018 is 6.2 percent. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change. During fiscal year 2018, KUB's Wastewater Division issued Series 2017B bonds to fund wastewater system capital improvements. During fiscal year 2019, KUB's Wastewater Division issued Series 2018 bonds to fund wastewater system capital improvements.

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. For the year ended June 30, 2019, debt service on all debt issues was approximately 45% of the pledged revenues.

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.

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, 2019:

	Balance June 30, 2018	Additions and Transfers	Reductions and Transfers	Balance June 30, 2019	Due Within One Year
Primary Government					
Government Activities:					
General obligation bonds	$ 64,299,460	$ -	$ 6,236,980	$ 58,062,480	$ 6,506,380
Add unamortized amounts for issuance premium	4,422,363	-	673,039	3,749,324	673,039
	68,721,823	-	6,910,019	61,811,804	7,179,419
HUD section 108 promissory note	2,900,000	-	-	2,900,000	170,000
Estimated claims liability	20,200,000	18,027,927	17,777,927	20,450,000	5,100,000
Compensated absences payable	8,301,845	37,445	152,528	8,186,762	37,445
Net pension liability	204,580,179	68,830,895	69,360,891	204,050,183	-
Net OPEB liability	11,251,754	5,461,292	992,024	15,721,022	-
Total governmental activities long-term liabilities	$ 315,955,601	$ 92,357,559	$ 95,193,389	$ 313,119,771	$ 12,486,864
Business-type Activities:					
General obligation bonds	$ 100,190,540	$ -	$ 5,558,020	$ 94,632,520	$ 5,838,620
Add unamortized amounts for issuance premium	939,148	-	135,917	803,231	135,917
	101,129,688	-	5,693,937	95,435,751	5,974,537
Compensated absences payable	4,900	152	-	5,052	5,052
Derivative instrument - interest rate swaps	228,187	-	135,162	93,025	-
Total business-type activities long-term liabilities	$ 101,362,775	$ 152	$ 5,829,099	$ 95,533,828	$ 5,979,589

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

All bonds and loans are backed by the full faith and credit of the City. In addition to the primary pledge of property taxes, the City has pledged convention center revenues net of operating expenses (if any) as a secondary pledge to repay the $59.97 million TN Series A-4-A long-term debt issue used to construct the center. For the year ended June 30, 2019, principal and interest payments on all debt issues were approximately 13% of the pledged revenue. Principal and interest remaining to be paid on all debt issues is approximately $202 million, based on market interest rates effective on June 30, 2019.

NOTE 10 - LONG-TERM DEBT - Continued

	Balance June 30, 2018	Additions and Transfers	Reductions and Transfers	Refundings / Retirements	Balance June 30, 2019	Due Within One Year
Component Units						
Knoxville Utilities Board:						
Revenue bonds	$ 1,099,795,000	$ 79,990,000	$ 37,860,000	$ -	$ 1,141,925,000	$ 39,970,000
Other long-term liabilities:						
TVA conservation program	4,431,219	229,677	1,578,067	-	3,082,829	1,500,000
Compensated absences	8,497,960	17,219,913	16,533,392	-	9,184,481	3,000,000
Customer advances for construction	4,927,837	5,388,950	2,172,058	-	8,144,729	17,000
Other	155,411	460,348	379,155	-	236,604	35,000
Total Knoxville Utilities Board	1,117,807,427	103,288,888	58,522,672	-	1,162,573,643	44,522,000
Metropolitan Knoxville Airport Authority:						
Revenue/general obligation bonds	62,395,000	39,570,000	5,350,000	39,570,000	57,045,000	5,580,000
Total Metropolitan Knoxville Airport Authority	62,395,000	39,570,000	5,350,000	39,570,000	57,045,000	5,580,000
Total component units	$ 1,180,202,427	$ 142,858,888	$ 63,872,672	$ 39,570,000	$ 1,219,618,643	$ 50,102,000

Conduit Debt

The Authority issued $8,500,000 Metropolitan Knoxville Airport Authority Special Purpose Revenue Bonds on June 18, 2002. The bonds bear interest at 8% and are due in an aggregate principal amount of $8,500,000 on April 1, 2032. Interest is payable semiannually on each April 1 and October 1.

The bonds were issued pursuant to a lease agreement between the Authority and Northwest Airlines, Inc. (“Northwest”) dated July 12, 2001, and subsequently amended. Northwest has subsequently been acquired by Delta Air Lines (Delta).The proceeds of the bonds were used for the construction by Northwest of an aircraft maintenance hangar and related facilities to be leased by Northwest from the Authority under the lease agreement. Under the terms of the lease agreement, Delta Air Lines, formerly Northwest, is obligated to pay base rental to a trustee assigned by the Authority in the amount necessary to meet debt service requirements on the bonds as they are due.

The Authority has no liability for repayment of these bonds and, accordingly, the bonds are not reported in the Authority’s financial statements. Revenues and receipts derived from the lease agreement and a guaranty by Delta Air Lines, are the only security for the bondholders. The entire amount of the bonds was outstanding at June 30, 2019.

NOTE 11 - LEASES

Primary Government

The City was committed to periodic payments to the Public Building Authority for rental of the City-County Building. The lease expired during 2001 and the City is renting the space on a month-to month basis until a new lease is established. Total rental payments for the year ending June 30, 2019 were $1,543,168.

Component Units

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

2020	$356,004
2021	126,704
2022	74,816
Total	$557,524

NOTE 12 - FUND BALANCES

Detail fund balances are as follows:

				Special Revenue Funds		
	General Fund	Debt Service Fund	Capital Projects Fund	Miscellaneous Community Development Fund	Other Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	$ 290,100	$ -	$ 154,246	$ -	$ 514,936	$ 959,282
Prepaids	10,478	-	1,183	-	-	11,661
Permanent Fund Principal	-	-	-	-	624,065	624,065
Restricted for:						
Street Improvements	-	-	-	-	2,275,296	2,275,296
Community Development	-	-	-	1,671,384	-	1,671,384
Law Enforcement	-	-	-	-	3,534,836	3,534,836
Parks & Recreation	-	-	-	-	253,887	253,887
Solid Waste Operations	-	-	-	-	3,948,773	3,948,773
Krutch Park	-	-	-	-	322,224	322,224
Committed to:						
Debt Service	-	53,177,865	-	-	-	53,177,865
Economic Stabilization	46,219,036	-	-	-	-	46,219,036
Other Capital Projects	-	-	97,737,409	-	-	97,737,409
Abandoned Vehicle Operations	-	-	-	-	586,718	586,718
City Inspections Operations	-	-	-	-	792,252	792,252
City Court Operations	-	-	-	-	1,038,378	1,038,378
Animal Control Operations	-	-	-	-	687,235	687,235
Finance & Accountability	177,254	-	-	-	-	177,254
Law Enforcement	-	-	-	-	2,696,382	2,696,382
Storm Water Operations	-	-	-	-	1,121,525	1,121,525
Assigned to:						
Administration	85,379	-	-	-	-	85,379
Appropriated Fund Balance	6,565,000	-	-	-	-	6,565,000
Community Development	5,728,028	-	-	-	-	5,728,028
Law Enforcement	-	-	-	-	651,168	651,168
Solid Waste Operations	-	-	-	-	-	-
Parks & Recreation	320,513	-	-	-	-	320,513
Unassigned	27,488,861	-	-	-	-	27,488,861
Total Fund Balances	$ 86,884,649	$ 53,177,865	$ 97,892,838	$ 1,671,384	$ 19,047,675	$ 258,674,411

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.

	2019	2018
Estimated maximum claims liability, beginning of year	$ 2,500,000	$ 2,500,000
Provision for incurred claims	14,981,934	13,196,167
Payments made on claims	(14,731,934)	(13,196,167)
Estimated maximum claims liability, end of year	$ 2,750,000	$ 2,500,000

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, 2019 and 2018 is as follows:

	2019	2018
Estimated maximum claims liability, beginning of year	$ 17,700,000	$ 17,600,000
Provision for incurred claims	3,045,993	2,743,055
Payments made on claims	(3,045,993)	(2,643,055)
Estimated maximum claims liability, end of year	$ 17,700,000	$ 17,700,000

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2019, were accrued in the financial statements of the fund based on pending claims filed and past experience, calculated in accordance with Governmental Accounting Standards Board Statement No. 10. The current portion of the claims liability is estimated to be $5.1 million.

Component units

Knoxville Utilities Board

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

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

At June 30, 2019, the amount of these liabilities was $1,911,512. This liability is the Utilities Board's best estimate based on available information. An analysis of claims activity for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Estimated maximum claims liability, beginning of year	$ 1,822,689	$ 1,891,789
Provision for incurred claims	17,179,059	15,713,124
Payments made on claims	(17,090,236)	(15,782,224)
Estimated maximum claims liability, end of year	$ 1,911,512	$ 1,822,689

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.

NOTE 14 - JOINT VENTURES

Public Building Authority

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

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

Knoxville, Knox County, KUB Geographic Information Systems

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

Knoxville-Knox County Animal Center

The City is a participant in a joint venture with Knox County in the operation of the Animal Center, which was established to administer the service delivery system for the care of animals. The Animal Center Board consists of eleven members appointed by the Mayor of the City, the Knox County Mayor, the Knox County Commission, and the Knoxville Academy of Veterinary Medicine. The Center's operations are primarily funded by the City and Knox County. The City does not retain an equity interest in the joint venture. Complete separate financial statements for the Animal Center may be obtained at 3201 Division Street, Knoxville, TN 37919.

NOTE 15 - MANAGEMENT AGREEMENTS

The City has entered into the following management agreements:

Knoxville Zoo - The City entered into a new agreement on July 1, 2016, with Knoxville Zoological Gardens, Inc. DBA "Zoo Knoxville" whereby Zoo Knoxville shall lease the Zoo to provide for its operation and management. Under terms of the agreement, the City shall grant Zoo Knoxville $1,250,000 as an annual allocation with a $50,000 annual increase for each year thereafter. This agreement lasts through June 30, 2021 with an option to extend for an additional five years.

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

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 three year agreement commenced July 1, 2015 and calls for an annual management fee of $147,750 to be paid to IJAMS. This agreement has two each five year renewal options.

Knoxville Convention Center and Public Assembly Facilities - The City has an agreement beginning July 1, 2006, with ASM Global Knoxville (formerly named SMG) 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.

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, 2019, 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, 2019:

	Spent to Date	Contractual Commitment Remaining at June 30, 2019
Access Improvements	$ 97,889	$ 395,626
Bridge Maintenance	5,764	48,091
Building Improvements	2,205	3,395
Crosswalk Replacement	-	99,421
Downtown Improvements	190,330	76,294
Drainage Improvements	51,962	145,837
Five Points Redevelopment	2,379,668	1,073,157
Fleet Facilities	-	7,000
Greenway Improvements	-	52,000
Information Systems Upgrades	7,000	5,950
New Sidewalk	71,528	633,909
Park Improvements	50,000	450,000
Paving Program	5,552,178	838,273
Public Safety Facilities	160,244	3,761,879
Recreation Center Improvements	-	480,463
Roadway Improvements	438,399	897,671
Sidewalk Improvements	626,204	511,711
Solid Waste Facilities	202,076	16,704
Street Lighting	8,591,671	1,281,281
Streetscapes	3,269,764	5,537,405
Traffic Signal Upgrades	-	1,398,686
Urban Wilderness	2,369,143	4,364,203
Water Quality Improvements	19,460	5,529
Total	$ 24,085,485	$ 22,084,485

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, 2019 were as follows:

	Outstanding Encumbrances
General Fund	$ 491,871
Capital Projects	22,497,822
Other Governmental Funds	
Miscellaneous Special Revenue Funds	66,816
Miscellaneous Grants Funds	173,622
	240,438
	$ 23,230,131

Component units

Knoxville Utilities Board

Purchased Gas Adjustments - In November 1990, KUB implemented a deferred Purchased Gas (Cost) Adjustment (PGA) mechanism, which allows KUB to flow changes in purchased gas costs through to its customers. These changes in gas costs are reflected as adjustments to the base gas rates established by KUB's Board of Commissioners. The rate-setting authority vested in the KUB Board by the City Charter meets the "self-regulated" provisions of GASB Statement No. 62 (Statement No. 62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The PGA is intended to assure that KUB recovers the total cost of natural gas purchased, transported and/or reserved for delivery to its sales and transportation customers on an equitable basis. The PGA is also intended to assure that no excess or deficient cost recovery from KUB's customers occurs.

Under the PGA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Gas Cost accounts. These accounts are rolled into the PGA rate adjustment on June 30 of each year thereby ensuring that any over/(under) recovered amounts are passed on to KUB's gas system customers. The amount of over/(under) recovered cost was ($1,339,422) at June 30, 2019.

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Purchased Power Adjustment - In October 2002, the Board adopted a Purchased Power Adjustment (PPA) to address changes in wholesale power costs. The PPA was established in response to an amendment to KUB's power supply contract under which, among other things, TVA relinquished its regulatory authority over KUB retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by KUB's Board of Commissioners. The rate-setting authority vested in the KUB Board by the City Charter meets the "self-regulated" provisions of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and KUB meets the remaining criteria of Statement No. 62.

TVA implemented a fuel cost adjustment in October 2006 that is applied on a quarterly basis to wholesale power rates. TVA's quarterly fuel cost adjustment became a monthly fuel cost adjustment effective October 2009. KUB flowed changes to wholesale power rates, from TVA's fuel cost adjustment mechanism, directly through to its retail electric rates via the PPA.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

Under the PPA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Power Cost accounts. These accounts are rolled into the PPA rate adjustments thereby assuring that any over/(under) recovered amounts are promptly passed on to the KUB's electric customers. The amount of over/(under) recovered cost was $2,674,466 at June 30, 2019.

Natural Gas Supply Contract Commitments - For the year ended June 30, 2019, the Gas Division of the Knoxville Utilities Board hedged 40% of its total gas purchases via gas supply contracts. As of June 30, 2019, the Gas Division had hedged the price on approximately 8% of its anticipated gas purchases for fiscal year 2020.

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

	2020	2021	2022	2023	2024
Demand:					
Transportation	$ 13,232,820	$ 13,308,268	$ 13,345,992	$ 13,345,992	$ 13,345,992
Storage	4,498,196	4,498,196	4,498,196	4,153,166	3,118,076
Demand total	$ 17,731,016	$ 17,806,464	$ 17,844,188	$ 17,499,158	$ 16,464,068
Commodity:					
Baseload	$ 5,017,053	$ -	$ -	$ -	$ -

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for Shell Energy and BP Energy Company are based upon firm supply obligations at locked prices with those suppliers. The firm obligations value for BP Energy Company and CNX Gas are based upon firm supply obligations and the applicable New York Mercantile Exchange ("NYMEX") strip prices at June 30, 2019.

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Other Commitments and Contingencies

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

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

KUB's funding plan for the Consent Decree includes long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all types of wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2019, the Wastewater Division had issued $542 million in bonds to fund 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 effective October 2014, October 2015 and October 2016 and three 5 percent rate increases effective July 2017, July 2018, and July 2019. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting manholes and gravity mains, smoke testing gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced approximately 385.7 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 83 percent reduction in SSOs.

As of June 30, 2019, the Wastewater Division had completed its 14th full year under the Consent Decree, spending $545.6 million on capital investments to meet Consent Decree requirements.

NOTE 17 - BUSINESS AND CREDIT CONCENTRATIONS

The Metropolitan Knoxville Airport Authority is dependent to a large extent on five major airlines and their regional affiliates in that a significant portion of aviation area revenue is generated by these airlines. These airlines accounted for $5,352,462 in aviation area revenue during 2019 and maintenance facility rent from a regional affiliate accounted for $1,099,780 of air cargo revenue in 2019. 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 2019. As of June 30, 2019, 94% of trade accounts receivable are due from these major airlines.

NOTE 18 - TRANSFERS

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

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

NOTE 18 – TRANSFERS - Continued

	Transfers From:														
	Governmental Activities										Business-type Activities		Internal Service Funds		
Transfers To:	General Fund	Debt Service	Capital Projects	State Street Aid	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants	Miscellaneous Special Revenue Funds	Storm Water	Convention Center	Municipal Golf Courses	Equipment Replacement	City Buildings	Total
Primary Government:															
Governmental Activities:															
General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,537,530	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,537,530
Debt Service	-	-	-	1,480,643	-	-	-	-	-	-	-	-	-	-	1,480,643
Capital Projects Fund	8,871,250	17,179,500	-	794,500	282,260	115,000	-	-	22,000	-	-	-	-	-	27,264,510
Miscellaneous Special Revenue Funds	243,296	-	-	-	-	-	-	-	-	-	-	-	-	-	243,296
Storm Water	2,750,980	-	-	-	-	-	-	-	-	-	-	-	-	-	2,750,980
Solid Waste	7,626,770	-	-	-	-	-	-	-	-	-	-	-	-	-	7,626,770
Business-type Activities:															
Convention Center	3,092,697	-	-	-	-	-	-	-	-	-	-	-	-	510,632	3,603,329
Metro Parking	1,600,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,600,000
Public Assembly Facilities	2,806,400	-	-	-	-	-	-	-	-	-	475,000	-	-	-	3,281,400
Municipal Golf Courses	573,380	-	-	-	-	-	-	-	-	-	-	-	-	-	573,380
Internal Service Funds:															
Fleet Maintenance	26,252	-	-	-	-	-	-	97,858	12,500	-	-	296,830	75,687	-	509,127
Equipment Replacement	322,522	1,100,000	113,669	-	825	-	-	-	235,645	1,634	2,190	-	-	-	1,776,485
	$ 27,913,547	$ 18,279,500	$ 113,669	$ 2,275,143	$ 283,085	$ 115,000	$ 1,537,530	$ 97,858	$ 270,145	$ 1,634	$ 477,190	$ 296,830	$ 75,687	$ 510,632	$ 52,247,450

NOTE 19 - RETIREMENT AND DISABILITY PLANS

City of Knoxville Pension System

General Information about the Pension Plan

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

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

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

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

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

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 market 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 $2,441,773 for 2019.

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.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms. Membership of the Plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Active participants	1,429
Vested terminated participants	126
Retired participants	2,080
Total	3,635

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 19 years remain at July 1, 2018. Projected covered payroll for the year beginning July 1, 2018 amounted to approximately $72,020,628. The ratio of the net pension liability to the covered payroll was 283.32%.

The contributions for the year ended June 30, 2019 were based on the actuarial valuation as of July 1, 2018 (2018 contributions were based on the July 1, 2017 valuation). The table below shows the contribution rates as percentages of covered payroll.

Plan	2019	2018
C	17.80%	17.77%
A, B, G	7.22%	7.39%
H, general government	8.69%	8.70%
H, uniformed	13.75%	11.69%

amortization payments made by Plan, are as follows:

Plan	2019	2018
C	$ 11,994,900	$ 10,135,000
A, B, G (general government)	$ 4,977,300	$ 4,370,000
A, B (education)	$ 2,441,800	$ 1,972,000

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, 2019 and 2018 were $109,836 and $143,076, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Actuarial assumptions: The total pension liability in the July 1, 2018 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	19 years
Asset valuation method	Market value, adjusted for a 10-year phase-in of each year's difference between actual and expected value; 80% - 120% limitations
Cost of living adjustment	3.5% per annum for all except Division H; 3.0% per annum for Division H
Investment rate of return	5.5% per annum for Division H; 7.25% per annum for all other divisions
Inflation	2.5% per annum

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

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

In the July 1, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011 - July 1, 2016.

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

Best estimates of geometric real rates of return for each major class included in the System's target asset allocation as of July 1, 2018 are summarized in the following table:

Assets Class	Target Allocation
Equity	45.5%
Fixed Income	26.0
Hedge Funds	5.0
Risk Parity	5.0
Real Assets	17.5
Cash	1.0

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Asset Class	30-Year Expected Nominal Return*	30-Year Expected Real Return
Large Cap Value Stocks	7.10 %	4.60 %
Large Cap Growth Stocks	7.10	4.60
Small-Mid Cap Growth Stocks	7.80	5.30
Small-Mid Cap Value Stocks	7.60	5.10
Developed International Value Stocks	6.80	4.30
Developed International Growth Stocks	6.70	4.20
Emerging Markets Stocks	7.10	4.60
Defensive Equity	6.20	3.70
Private Energy	10.70	8.20
Core Fixed Income	3.70	1.20
Long-Term Government Fixed Income	3.10	0.60
TIPS	4.00	1.50
Emerging Markets Debt	5.90	3.40
Hedge Funds	5.50	3.00
Risk Parity	4.20	1.70
Core Real Estate	7.30	4.80
MLPs	7.60	5.10
Real Estate	4.00	1.50
Cash	3.50	1.00

*Includes 2.5% Inflation

Discount Rate: The discount rate used to measure the total pension liability on the first basis is equal to the System's expected rate of return of 7.25% (5.5% for Division H). The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory contribution rates and that contributions from the City will be made at the current statutory contributions rates. Based on those assumptions, the System's net position is expected to be available indefinitely. The long-term expected rate of return on pension plan investments was applied to periods of projected benefit payments. The System has historically earned over 7.3% for the past twenty years on a rolling average rate of return which includes the financial crisis of 2008-2009.

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, 2018 (July 1, 2017 measurement)	$ 775,877,041	$ 571,296,862	$ 204,580,179
Changes for the year:			
Service cost	13,048,662	-	13,048,662
Interest expense	55,074,301	-	55,074,301
Experience losses (gains)	(1,867,674)	-	(1,867,674)
Change of assumptions	-	-	-
Contributions - City	-	25,719,853	(25,719,853)
Contributions - members	-	4,214,054	(4,214,054)
Net investment income (loss)	-	37,559,310	(37,559,310)
Refunds of contributions	(853,221)	(853,221)	-
Benefits paid	(46,640,953)	(46,640,953)	-
Plan administrative expenses	-	(707,932)	707,932
Net changes	18,761,115	19,291,111	(529,996)
Balances at June 30, 2019 (July 1, 2018 measurement)	$ 794,638,156	$ 590,587,973	$ 204,050,183

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

	1% Decrease (6.25%)*	Current Rate (7.25%)*	1% Increase (8.25%)*
Net Pension Liability	$ 296,623,282	$ 204,050,183	$ 126,653,642

* 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.

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, 2019, the City recognized pension expense of $25,961,176. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,311,571	$ 6,230,915
Change in assumptions	14,975,357	-
Net difference between projected and actual earnings on investments	19,048,432	-
Change in proportion between Government-wide and Business-type Activities	793,152	793,152
Contributions made subsequent to the measurement date	28,710,668	-
Total	$ 64,839,180	$ 7,024,067

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,	
2020	15,461,730
2021	8,563,705
2022	(588,345)
2023	3,508,706
2024	2,158,649
Thereafter	-

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, 2019, the City reported no contributions payable to the pension plan required for the year ended June 30, 2019.

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Component Units

Name	Type	Status
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 $463,752 in 2019.

Deferred Compensation Plans

Primary Government

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

Component Unit

Metropolitan Knoxville Airport Authority

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and is administered by International City Management Association Retirement Corporation. The Plan, available to all Authority employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Employee contributions to the Plan were $107,144 in 2019.

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, 2019, the City and the retirees contributed $992,024.

Employees covered by the benefit terms

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Active participants (covered)	1,315
Active participants (not covered)	208
Retired participants (covered)	89
Total	1,612

Total OPEB Liability

The City's total OPEB liability of $15,721,022 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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

Actuarial assumptions and other inputs

The total OPEB liability in the January 1, 2019 actuarial valuation, measured as of June 30, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation method	Entry age normal
Discount Rate	2.79 percent
Healthcare cost trend rates	7.5 percent to grade uniformly to 6.75 percent over 3 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, 2019.

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

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

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

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

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

Changes in the Total OPEB liability

	Total OPEB Liability
Balances at June 30, 2018 (June 30, 2017 measurement)	$ 11,251,754
Changes for the year:	
Service cost	624,680
Interest expense	317,285
Experience losses (gains)	4,031,515
Change of assumptions	487,812
Benefits paid	(992,024)
Net changes	4,469,268
Balances at June 30, 2019 (July 1, 2019 measurement)	$ 15,721,022

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

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.79 percent) or 1-percentage-point higher (3.79 percent) than the current discount rate.

	1% Decrease (1.79%)	Current Rate (2.79%)	1% Increase (3.79%)
Total OPEB Liability	$ 16,880,597	$ 15,721,022	$ 14,639,067

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 (6.5 percent decreasing to 5.75 percent) or 1-percentage-point higher (8.5 percent decreasing to 7.75 percent) than the current healthcare cost trend rates:

	1% Decrease 6.5% decreasing to 5.75% over 3 years and following the Getzen model thereafter	Current 7.5% decreasing to 6.75% over 3 years and following the Getzen model thereafter	1% Increase 8.5% decreasing to 7.75% over 3 years and following the Getzen model thereafter
Total OPEB Liability	$ 14,073,638	$ 15,721,022	$ 17,664,265

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, 2019, the City recognized OPEB expense of $784,037. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,583,569	$ 208,566
Change in assumptions	433,611	-
Total	$ 4,017,180	$ 208,566

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

For the year ending June 30,	
2020	476,076
2021	476,076
2022	476,076
2023	476,076
2024	476,076
Thereafter	1,428,234

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

Component Units

Knoxville Utilities Board

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

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

Metropolitan Knoxville Airport Authority and Knoxville Area Transit

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

NOTE 21 - RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

Amounts billed by the Knoxville Utilities Board to the City of Knoxville for electric, gas, water and sewer service	$13,624,129
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	20,238,463
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	2,773,377
Subsidies paid by the City to Knoxville Area Transit	12,124,890

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 37 active PILOT agreements, with an estimated $2,893,032 abated in 2019.

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 7 PILOT agreements. These agreements are for the development of affordable housing within Knox County and the City of Knoxville. Additionally, authorized by Tennessee Code Annotated (TCA) Section 9-23-101, the Uniformity in Tax Increment Financing Act of 2012, its board of directors oversee the approval of TIF loans within the City's redevelopment areas. The City remits the incremental portion of the levied taxes as payment to the issuer of the TIF loan. The portion of the tax levy that is allocated for debt service is not affected. The City currently has 30 active TIF agreements, with $2,334,178 abated in 2019.

	City of Knoxville Tax Abatements		
	PILOT	TIF	Total
2019	$ 2,893,032	$ 2,334,178	$ 5,227,210
1 - 5 years	12,762,181	10,933,499	23,695,680
6 - 10 years	9,701,133	9,064,456	18,765,589
11 - 15 years	5,722,183	3,942,969	9,665,152
16 - 20 years	3,193,628	3,196,652	6,390,280
20 + years	3,832,764	1,128,152	4,960,916
Total Taxes Abated Over the Next 20+ years	$ 38,104,921	$ 30,599,906	$ 68,704,827

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

NOTE 23 – SUBSEQUENT EVENTS

In June 2019, the City council approved Resolution No. R-210-2019 to borrow funds in the aggregate principal amount of not to exceed $70,000,000 through the issuance of its General Obligation Bonds. As of the issuance of this report, the bonds have not yet been issued.

Component Units

Knoxville Utilities Board

KUB sold $20 million in water system revenue bonds in July 2019 for the purpose of funding water system capital improvements in fiscal year 2020. The true interest cost of the bonds, which were sold through a competitive bidding process, was 2.79 percent. Annual debt service payments including principal and interest range from $774,068 to $1,051,450 with final maturity in fiscal year 2049. KUB sold $16 million in wastewater system revenue bonds in July 2019 for the purpose of funding wastewater system capital improvements in fiscal year 2020. The true interest cost of the bonds, which were sold through a competitive bidding process, was 2.79 percent. Annual debt service payments including principal and interest range from $596,817 to $852,450 with final maturity in fiscal year 2049.

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2019

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Outstanding 7/1/2018:	Issued During Period:	Paid and/or Matured During Period:	Refunded During Period:	Outstanding 6/30/2019:
Governmental Activities									
Bonds Payable (Through Debt Service Fund)									
General Obligation - Series 2005A	$ 13,725,000	3.0% - 5.0%	2/24/2005	5/1/2020	$ 2,790,000	$ -	$ 1,360,000	$ -	$ 1,430,000
General Obligation - Refunding Series 2012	40,862,000	1.0% - 5.0%	5/30/2012	5/1/2025	18,834,460	-	2,286,980	-	16,547,480
General Obligation - Series 2014	31,080,000	2.8% - 3.2%	10/10/2014	5/1/2034	28,050,000	-	1,300,000	-	26,750,000
General Obligation - Series 2018	14,625,000	3.0 % - 5.0%	6/19/2018	5/1/2028	14,625,000	-	1,290,000	-	13,335,000
Total Bonds Payable (Through Debt Service Fund)	$ 100,292,000				$ 64,299,460	$ -	$ 6,236,980	$ -	$ 58,062,480
Note Payable (Through Miscellaneous Special Revenue Funds)	$ 2,900,000	LIBOR plus 20 basis points	6/15/2016	7/15/2035	$ 2,900,000	$ -	$ -	$ -	$ 2,900,000
Total Governmental Activities	$ 103,192,000				$ 67,199,460	$ -	$ 6,236,980	$ -	$ 60,962,480
Business Type Activities									
Bonds Payable (Through Knoxville Convention Center Fund)									
General Obligation - Series 2009 - VI-L-1	$ 31,745,000	Floating interest rate	12/15/2009	6/1/2020	$ 6,990,000	$ -	$ 3,415,000	$ -	$ 3,575,000
General Obligation - Series A-4-A	59,970,000	Floating interest rate	11/1/2012	5/25/2032	59,970,000	-	-	-	59,970,000
General Obligation - Refunding Series 2012	43,288,000	1.0% - 5.0%	5/30/2012	5/1/2025	33,230,540	-	2,143,020	-	31,087,520
Total Bonds Payable (Through Knoxville Convention Center Fund	$ 135,003,000				$ 100,190,540	$ -	$ 5,558,020	$ -	$ 94,632,520
Total Business Type Activities	$ 135,003,000				$ 100,190,540	$ -	$ 5,558,020	$ -	$ 94,632,520

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

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

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2019

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

Unaudited - See Independent Auditor's Report

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 13.0	$ 13.1	$ 13.1	$ 12.6	$ 12.3
Interest	55.1	52.5	51.8	50.9	49.4
Differences between expected and actual experience	(1.9)	(3.7)	2.1	(6.1)	0.9
Changes in assumptions	-	21.0	-	-	-
Benefit payments/refunds	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Net change in total pension liability	18.7	36.7	22.3	13.9	20.3
Total pension liability, beginning	775.9	739.2	716.9	703.0	682.7
Total pension liability, ending (a)	$ 794.6	$ 775.9	$ 739.2	$ 716.9	$ 703.0
Plan Fiduciary Net Position					
Contributions - employer	$ 25.7	$ 23.8	$ 23.9	$ 22.6	$ 15.2
Contributions - employee	4.2	4.4	4.4	4.1	4.0
Net investment income	37.6	63.3	(1.0)	7.9	87.1
Benefit payments/refunds	(47.5)	(46.2)	(44.7)	(43.5)	(42.3)
Administrative expenses	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)
Net change in plan fiduciary net position	$ 19.3	$ 44.6	$ (18.1)	$ (9.6)	$ 63.2
Plan fiduciary net position - beginning	571.3	526.7	544.8	554.4	491.2
Plan fiduciary net position - ending (b)	$ 590.6	$ 571.3	$ 526.7	$ 544.8	$ 554.4
Net pension liability - ending (a) - (b)	$ 204.0	$ 204.6	$ 212.5	$ 172.1	$ 148.6
Plan fiduciary net position as a % of the total pension liability	74.3%	73.6%	71.3%	76.0%	78.9%
Covered payroll	$ 72.0	$ 72.6	$ 71.5	$ 71.0	$ 69.9
Net pension liability as a % of covered payroll	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, 2019

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

Unaudited - See Independent Auditor's Report

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 *
Actuarially determined contribution	$ 28.7	$ 25.7	$ 23.8	$ 23.9	$ 22.6	$ 20.9
Contributions in relation to the actuarially determined contribution	28.7	25.7	23.8	23.9	22.6	20.9
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 73.7	$ 72.0	$ 72.6	$ 71.5	$ 71.0	$ 69.9
Contributions as a percentage of covered payroll	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, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Actuarially determined contribution	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contributions in relation to the actuarially determined contribution	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Contributions as a percentage of covered payroll	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, 2019

Schedule of Changes in Total OPEB Liability and Related Ratios

Unaudited - See Independent Auditor's Report

	2019	2018
Total OPEB liability		
Service cost	$ 624,680	$ 436,576
Interest	317,285	349,404
Differences between expected and actual experience	4,031,515	(260,708)
Changes in assumptions	487,812	-
Benefit payments/refunds	(992,024)	(384,860)
Net change in total OPEB liability	4,469,268	140,412
Total OPEB liability-beginning	11,251,754	11,111,342
Total OPEB liability-ending	$ 15,721,022	$ 11,251,754
Covered-employee payroll	$ 64,073,427	$ 76,085,183
Total OPEB liability as a percentage of covered-employee payroll	24.5%	14.8%

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

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

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

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

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Nonmajor Governmental Funds

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

Special Revenue Funds

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

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, 2019

	Special Revenue Funds					
Assets	**State Street Aid**	**Community Development Block Grants**	**Abandoned Vehicles**	**City Inspections**	**City Court**	**Miscellaneous Grants**
Cash and cash equivalents	$ 761	$ 87,044	$ 1,463	$ 722	$ 2,143	$ 195,144
Investments	1,693,931	-	668,887	879,537	1,755,576	-
Accounts receivable	1,085,853	288,919	3,034	3,600	-	547,569
Notes receivable	-	1,668,831	-	-	-	-
Inventories	467,079	47,857	-	-	-	-
Total assets	$ 3,247,624	$ 2,092,651	$ 673,384	$ 883,859	$ 1,757,719	$ 742,713
Liabilities						
Accounts payable	$ 308,249	$ 128,063	$ 69,341	$ 15,554	$ 80,177	$ 152,093
Accrued liabilities	-	17,139	13,325	67,053	22,628	10,342
Customer deposits	-	24,761	-	-	-	-
Due to other funds	197,000	206,000	4,000	9,000	609,000	406,000
Due to other governmental agencies	-	-	-	-	7,536	-
Total liabilities	505,249	375,963	86,666	91,607	719,341	568,435
Deferred inflows of resources						
Unavailable revenue - other	-	1,668,831	-	-	-	51,889
Total deferred inflows of resources	-	1,668,831	-	-	-	51,889
Fund balances						
Non-spendable	467,079	47,857	-	-	-	-
Restricted	2,275,296	-	-	-	-	122,389
Committed	-	-	586,718	792,252	1,038,378	-
Assigned	-	-	-	-	-	-
Total fund balances	2,742,375	47,857	586,718	792,252	1,038,378	122,389
Total liabilities, deferred inflows of resources and fund balances	$ 3,247,624	$ 2,092,651	$ 673,384	$ 883,859	$ 1,757,719	$ 742,713

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

Special Revenue Funds (continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
$ -	$ 511,604	$ 286,697	$ 679	$ 863	$ 1,087,120	$ 9,486	$ 1,096,606
687,235	7,190,336	966,399	4,754,697	137	18,596,735	936,803	19,533,538
-	289,166	410	113,354	-	2,331,905	-	2,331,905
-	2,900,000	-	-	-	4,568,831	-	4,568,831
-	-	-	-	-	514,936	-	514,936
$ 687,235	$ 10,891,106	$ 1,253,506	$ 4,868,730	$ 1,000	$ 27,099,527	$ 946,289	$ 28,045,816
$ -	$ 84,152	$ 41,352	$ 811,874	$ -	$ 1,690,855	$ -	$ 1,690,855
-	21,679	76,629	22,058	-	250,853	-	250,853
-	602,267	-	-	-	627,028	-	627,028
-	261,221	14,000	86,000	1,000	1,793,221	-	1,793,221
-	7,903	-	25	-	15,464	-	15,464
-	977,222	131,981	919,957	1,000	4,377,421	-	4,377,421
-	2,900,000	-	-	-	4,620,720	-	4,620,720
-	2,900,000	-	-	-	4,620,720	-	4,620,720
-	-	-	-	-	514,936	624,065	1,139,001
-	3,666,334	-	3,948,773	-	10,012,792	322,224	10,335,016
687,235	2,696,382	1,121,525	-	-	6,922,490	-	6,922,490
-	651,168	-	-	-	651,168	-	651,168
687,235	7,013,884	1,121,525	3,948,773	-	18,101,386	946,289	19,047,675
$ 687,235	$ 10,891,106	$ 1,253,506	$ 4,868,730	$ 1,000	$ 27,099,527	$ 946,289	$ 28,045,816

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds					
	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	$ 6,281,840	$ -	$ -	$ -	$ -	$ -
Licenses, permits & inspection charges	-	-	-	2,976,504	-	-
Intergovernmental	-	1,467,661	-	-	377,058	1,442,858
Charges for services	-	-	473,442	-	37,075	-
Fines & forfeitures	-	-	-	-	2,069,970	-
Other	19,612	117,926	540,477	16,433	42,581	103,508
Total revenues	6,301,452	1,585,587	1,013,919	2,992,937	2,526,684	1,546,366
Expenditures						
Current:						
Administration	-	-	-	-	-	1,000
Finance	-	-	-	-	-	-
Community Development	-	1,585,587	-	-	-	200,518
Parks and Recreation	-	-	-	-	-	23,463
Engineering	3,641,479	-	918,385	-	-	8,621
Public Services	-	-	-	2,689,010	-	-
Law	-	-	-	-	963,909	-
Police	-	-	-	-	-	1,197,550
Emergency Management	-	-	-	-	-	17,225
Fire	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	3,641,479	1,585,587	918,385	2,689,010	963,909	1,448,377
Excess (deficiency) of revenues over (under) expenditures	2,659,973	-	95,534	303,927	1,562,775	97,989
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(2,275,143)	-	(283,085)	(115,000)	(1,537,530)	(97,858)
Total other financing sources (uses)	(2,275,143)	-	(283,085)	(115,000)	(1,537,530)	(97,858)
Net changes in fund balances	384,830	-	(187,551)	188,927	25,245	131
Fund balances - beginning	2,357,545	47,857	774,269	603,325	1,013,133	122,258
Fund balances - ending	$ 2,742,375	$ 47,857	$ 586,718	$ 792,252	$ 1,038,378	$ 122,389

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

Special Revenue Funds (Continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 6,281,840	$ -	$ 6,281,840
-	-	-	-	-	2,976,504	-	2,976,504
-	343,900	-	130,690	-	3,762,167	-	3,762,167
35,987	68,563	279,008	1,806,594	199,998	2,900,667	-	2,900,667
-	1,365,264	-	-	-	3,435,234	-	3,435,234
14,734	452,795	21,614	203,088	-	1,532,768	(5,802)	1,526,966
50,721	2,230,522	300,622	2,140,372	199,998	20,889,180	(5,802)	20,883,378
-	-	-	-	-	1,000	-	1,000
-	-	-	-	199,998	199,998	-	199,998
-	90,306	-	-	-	1,876,411	-	1,876,411
-	74,782	-	-	-	98,245	-	98,245
-	-	3,030,714	-	-	7,599,199	-	7,599,199
10,547	4,999	-	9,373,915	-	12,078,471	-	12,078,471
-	-	-	-	-	963,909	-	963,909
-	1,211,633	-	-	-	2,409,183	-	2,409,183
-	392,084	-	-	-	409,309	-	409,309
-	4,970	-	-	-	4,970	-	4,970
-	2,475	-	-	-	2,475	-	2,475
10,547	1,781,249	3,030,714	9,373,915	199,998	25,643,170	-	25,643,170
40,174	449,273	(2,730,092)	(7,233,543)	-	(4,753,990)	(5,802)	(4,759,792)
-	243,296	2,750,980	7,626,770	-	10,621,046	-	10,621,046
-	(270,145)	(1,634)	-	-	(4,580,395)	-	(4,580,395)
-	(26,849)	2,749,346	7,626,770	-	6,040,651	-	6,040,651
40,174	422,424	19,254	393,227	-	1,286,661	(5,802)	1,280,859
647,061	6,591,460	1,102,271	3,555,546	-	16,814,725	952,091	17,766,816
$ 687,235	$ 7,013,884	$ 1,121,525	$ 3,948,773	$ -	$ 18,101,386	$ 946,289	$ 19,047,675

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, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, assessments, interest & penalties	$ 6,270,000	$ 6,270,000	$ 6,281,840	$ 11,840
Other	12,000	12,000	19,612	7,612
Total revenues	6,282,000	6,282,000	6,301,452	19,452
Expenditures				
Current:				
Engineering	4,200,000	4,006,850	3,641,479	365,371
Total expenditures	4,200,000	4,006,850	3,641,479	365,371
Excess (deficiency) of revenues over (under) expenditures	2,082,000	2,275,150	2,659,973	384,823
Other financing sources (uses)				
Transfers out	(2,082,000)	(2,275,150)	(2,275,143)	7
Total other financing sources (uses)	(2,082,000)	(2,275,150)	(2,275,143)	7
Net change in fund balances	$ -	$ -	384,830	$ 384,830
Fund balance - beginning			2,357,545	
Fund balance - ending			$ 2,742,375	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GAAP BASIS
COMMUNITY DEVELOPMENT BLOCK GRANTS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 1,390,370	$ 1,390,370	$ 1,467,661	$ 77,291
Other	150,000	150,000	117,926	(32,074)
Total revenues	1,540,370	1,540,370	1,585,587	45,217
Expenditures:				
Current:				
Community Development	2,038,840	2,038,840	1,585,587	453,253
Total expenditures	2,038,840	2,038,840	1,585,587	453,253
Excess (deficiency) of revenues over (under) expenditures	(498,470)	(498,470)	-	498,470
Other financing sources (uses)				
Appropriated fund balance	498,470	498,470	-	(498,470)
Net changes in fund balances	$ -	$ -	-	$ -
Fund balances - beginning			47,857	
Fund balances - ending			$ 47,857	

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

CITY OF KNOXVILLE , TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ABANDONED VEHICLES
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services:	$ 443,920	$ 443,920	$ 473,442	$ 29,522
Other	387,700	387,700	540,477	152,777
Total revenues	831,620	831,620	1,013,919	182,299
Expenditures				
Current:				
Engineering	831,620	930,790	918,385	12,405
Total expenditures	831,620	930,790	918,385	12,405
Excess (deficiency) of revenues over (under) expenditures	-	(99,170)	95,534	194,704
Other financing sources (uses)				
Transfers out	(282,260)	(283,090)	(283,085)	5
Appropriated fund balance	282,260	382,260	-	(382,260)
Total other financing sources (uses)	-	99,170	(283,085)	(382,255)
Net changes in fund balances	$ -	$ -	(187,551)	$ (187,551)
Fund balance - beginning			774,269	
Fund balance - ending			$ 586,718	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY INSPECTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Licenses, permits & inspection charges	$ 2,799,320	$ 2,799,320	$ 2,976,504	$ 177,184
Other	5,670	5,670	16,433	10,763
Total revenues	2,804,990	2,804,990	2,992,937	187,947
Expenditures				
Current:				
Public Services	2,689,990	2,689,990	2,689,010	980
Total expenditures	2,689,990	2,689,990	2,689,010	980
Excess (deficiency) of revenues over (under) expenditures	115,000	115,000	303,927	188,927
Other financing sources (uses)				
Transfers out	(115,000)	(115,000)	(115,000)	-
Net change in fund balances	$ -	$ -	188,927	$ 188,927
Fund balance - beginning			603,325	
Fund balance - ending			$ 792,252	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	$ 289,930	$ 376,930	$ 377,058	$ 128
Charges for services	33,700	33,700	37,075	3,375
Fines & forfeitures	1,645,750	2,069,750	2,069,970	220
Other	21,000	43,600	42,581	(1,019)
Total revenues	1,990,380	2,523,980	2,526,684	2,704
Expenditures				
Current:				
Law	1,061,450	986,450	963,909	22,541
Total expenditures	1,061,450	986,450	963,909	22,541
Excess (deficiency) of revenues over (under) expenditures	928,930	1,537,530	1,562,775	25,245
Other financing sources (uses)				
Transfers out	(928,930)	(1,537,530)	(1,537,530)	-
Total other financing sources (uses)	(928,930)	(1,537,530)	(1,537,530)	-
Net changes in fund balance	$ -	$ -	25,245	$ 25,245
Fund balance - beginning			1,013,133	
Fund balance - ending			$ 1,038,378	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ANIMAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 40,000	$ 40,000	$ 35,987	$ (4,013)
Other	1,500	1,500	14,734	13,234
Total revenues	41,500	41,500	50,721	9,221
Expenditures				
Current:				
Public services	41,500	41,500	10,547	30,953
Total expenditures	41,500	41,500	10,547	30,953
Excess (deficiency) of revenues over (under) expenditures	-	-	40,174	40,174
Net change in fund balances	$ -	$ -	40,174	$ 40,174
Fund balances - beginning			647,061	
Fund balances - ending			$ 687,235	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
MISCELLANEOUS SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 356,230	$ 356,230	$ 343,900	$ (12,330)
Charges for services	56,500	56,500	68,563	12,063
Fines & forfeitures	973,570	973,570	1,365,264	391,694
Other	152,030	162,000	452,795	290,795
Total revenues	1,538,330	1,548,300	2,230,522	682,222
Expenditures				
Current:				
Community Development	22,000	100,000	90,306	9,694
Parks and Recreation	82,000	87,000	74,782	12,218
Public services	1,060	6,060	4,999	1,061
Police	1,558,270	1,568,270	1,211,633	356,637
Emergency Management	412,460	408,800	392,084	16,716
Fire	25,000	18,670	4,970	13,700
Legislative	35,000	35,000	2,475	32,525
Total expenditures	2,135,790	2,223,800	1,781,249	442,551
Excess (deficiency) of revenues over (under) expenditures	(597,460)	(675,500)	449,273	1,124,773
Other financing sources (uses)				
Transfers in	294,600	243,300	243,296	(4)
Transfers out	(314,100)	(317,760)	(270,145)	47,615
Appropriated fund balance	616,960	749,960	-	(749,960)
Total other financing sources (uses)	597,460	675,500	(26,849)	(702,349)
Net change in fund balances	$ -	$ -	422,424	$ 422,424
Fund balances - beginning			6,591,460	
Fund balances - ending			$ 7,013,884	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
STORM WATER
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 208,500	$ 208,500	$ 279,008	$ 70,508
Other	7,000	7,000	21,614	14,614
Total revenues	215,500	215,500	300,622	85,122
Expenditures				
Current:				
Engineering	3,268,850	3,267,210	3,030,714	236,496
Total expenditures	3,268,850	3,267,210	3,030,714	236,496
Excess (deficiency) of revenues over (under) expenditures	(3,053,350)	(3,051,710)	(2,730,092)	321,618
Other financing sources (uses)				
Transfers in	3,053,350	2,748,450	2,750,980	2,530
Transfers out	-	(1,640)	(1,634)	6
Appropriated fund balance	-	304,900	-	(304,900)
Total other financing sources (uses)	3,053,350	3,051,710	2,749,346	(302,364)
Net changes in fund balances	$ -	$ -	19,254	$ 19,254
Fund balance - beginning			1,102,271	
Fund balance - ending			$ 1,121,525	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
SOLID WASTE
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 1,300,000	$ 1,300,000	$ 1,806,594	$ 506,594
Intergovernmental	82,000	82,000	130,690	48,690
Other	200,000	200,800	203,088	2,288
Total revenues	1,582,000	1,748,230	2,140,372	392,142
Expenditures				
Current:				
Public Services	9,358,770	9,375,000	9,373,915	1,085
Total expenditures	9,358,770	9,375,000	9,373,915	1,085
Excess (deficiency) of revenues over (under) expenditures	(7,776,770)	(7,626,770)	(7,233,543)	393,227
Other financing sources (uses)				
Transfers in	7,776,770	7,626,770	7,626,770	-
Appropriated fund balance	-	165,430	-	(165,430)
Total other financing sources (uses)	7,776,770	7,626,770	7,626,770	-
Net changes in fund balances	$ -	$ -	393,227	$ 393,227
Fund balance - beginning			3,555,546	
Fund balance - ending			$ 3,948,773	

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

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CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2019

Assets		
Cash and cash equivalents	$	60,065
Investments		52,376,130
Accounts receivable		233,953
Taxes receivable		25,938,771
Due from other funds		400,000
Total assets	$	79,008,919
Liabilities		
Due to other governmental agencies	$	2,585
Total liabilities		2,585
Deferred inflows of resources		
Unavailable revenue - property taxes		25,828,469
Total deferred inflows of resources		25,828,469
Fund balances		
Committed		53,177,865
Total fund balance		53,177,865
Total liabilities, deferred inflows of resources and fund balance	$	79,008,919

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	**Final**	**Actual**	**Final Budget**
Revenues				
Taxes, assessments, interest & penalties	$ 25,152,340	$ 25,152,340	$ 25,219,913	$ 67,573
Other	464,070	464,070	2,313,861	1,849,791
Total revenues	25,616,410	25,616,410	27,533,774	1,917,364
Expenditures				
Current:				
Debt service:				
Principal retirement	6,331,980	6,331,980	6,236,980	95,000
Interest payments on bonds & notes	2,292,430	2,292,430	2,092,057	200,373
Total expenditures	8,624,410	8,624,410	8,329,037	295,373
Excess (deficiency) of revenues over (under) expenditures	16,992,000	16,992,000	19,204,737	2,212,737
Other financing sources (uses)				
Transfers in	1,287,500	1,480,650	1,480,643	(7)
Transfers out	(18,279,500)	(18,279,500)	(18,279,500)	-
Other appropriated fund balance	-	(193,150)	-	193,150
Total other financing sources (uses)	(16,992,000)	(16,992,000)	(16,798,857)	193,143
Net changes in fund balances	$ -	$ -	2,405,880	$ 2,405,880
Fund balance - beginning			50,771,985	
Fund balance - ending			$ 53,177,865	

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

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2019

Assets		
Cash and cash equivalents	$	909,799
Investments		106,774,506
Accounts receivable		3,175,308
Inventory		154,246
Prepaid items		1,183
Due from other funds		6,261,000
Total assets	$	117,276,042
Liabilities		
Accounts payable	$	12,013,742
Accrued liabilities		2,978,500
Due to other funds		2,512,000
Total liabilities		17,504,242
Deferred inflows of resources		
Unavailable revenue - other		1,878,962
Total deferred inflows of resources		1,878,962
Fund balance		
Nonspendable		155,429
Committed		97,737,409
Total fund balance		97,892,838
Total liabilities, deferred inflows of resources and fund balance	$	117,276,042

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FROM INCEPTION
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Actual		Total	Project	Variance With
	Prior Years	Current Year	to Date	Authorization	Final Budget
Revenues					
Intergovernmental	$ 37,150,448	$ 4,522,866	$ 41,673,314	$ 78,322,105	$ (36,648,791)
Other	30,388,741	5,597,765	35,986,506	20,746,616	15,239,890
Total revenues	67,539,189	10,120,631	77,659,820	99,068,721	(21,408,901)
Expenditures					
Current:					
Capital & grant projects	319,549,584	54,809,642	374,359,226	459,712,044	(85,352,818)
Total expenditures	319,549,584	54,809,642	374,359,226	459,712,044	(85,352,818)
Excess (deficiency) of revenues over (under) expenditures	(252,010,395)	(44,689,011)	(296,699,406)	(360,643,323)	63,943,917
Other financing sources (uses)					
Bonds proceeds	46,745,932	-	46,745,932	102,168,028	(55,422,096)
Debt issue premium	527,039	-	527,039	-	527,039
Transfers in	254,377,536	27,264,510	281,642,046	258,475,295	23,166,751
Transfers out	(5,200,902)	(113,669)	(5,314,571)	-	(5,314,571)
Total other financing sources (uses)	296,449,605	27,150,841	323,600,446	360,643,323	(37,042,877)
Net changes in fund balance	$ 44,439,210	(17,538,170)	$ 26,901,040	$ -	$ 26,901,040
Fund balance - beginning		115,431,008			
Fund balance - ending		$ 97,892,838			

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

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Nonmajor Enterprise Funds

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

Metro Parking Fund	**To account for the operations of the City's municipal parking facilities.**
Public Assembly Facilities Fund	**To account for the operation of the City's municipal auditorium.**
Municipal Golf Courses	**To account for the operation of the City's municipal golf courses.**

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2019

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash & temporary investments	$ 1,395	$ 815,773	$ 352,659	$ 1,169,827
Investments	6,504,030	4,587,490	134,187	11,225,707
Accounts receivable	205,864	98,149	62	304,075
Due from other funds	-	5,500,000	-	5,500,000
Inventories	-	-	20,334	20,334
Prepaid items	-	16,663	13,581	30,244
Total current assets	6,711,289	11,018,075	520,823	18,250,187
Noncurrent assets				
Land and site improvements	2,079,796	1,831,368	473,119	4,384,283
Buildings and improvements	39,942,852	22,128,267	-	62,071,119
Equipment, furniture and fixtures	1,125,967	2,665,271	126,412	3,917,650
Infrastructure and site improvements	-	118,960	1,014,584	1,133,544
Construction in progress	-	4,599,458	-	4,599,458
Less: accumulated depreciation	(18,874,723)	(20,192,699)	(294,676)	(39,362,098)
Total capital assets (net of accumulated depreciation)	24,273,892	11,150,625	1,319,439	36,743,956
Equity interest in joint venture	-	-	-	-
Total noncurrent assets	24,273,892	11,150,625	1,319,439	36,743,956
Total assets	30,985,181	22,168,700	1,840,262	54,994,143
Liabilities				
Current liabilities				
Accounts payable	366,204	389,726	243,338	999,268
Accrued liabilities	10,806	610,525	-	621,331
Unearned revenue	-	102,525	24,600	127,125
Due to other funds	7,000	129,000	-	136,000
Total current liabilities	384,010	1,231,776	267,938	1,883,724
Total liabilities	384,010	1,231,776	267,938	1,883,724
Deferred inflows of resources				
Pensions	-	793,152	-	793,152
Total deferred inflows of resources	-	793,152	-	793,152
Net position				
Net investment in capital assets	24,273,892	11,150,625	1,319,439	36,743,956
Unrestricted	6,327,279	8,993,147	252,885	15,573,311
Total net position	$ 30,601,171	$ 20,143,772	$ 1,572,324	$ 52,317,267

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	$ 4,295,267	$ 3,657,556	$ 955,873	$ 8,908,696
Total operating revenues	4,295,267	3,657,556	955,873	8,908,696
Operating expenses				
Personal services	194,018	-	-	194,018
Materials & supplies	127,909	-	1,704	129,613
Depreciation & amortization	1,179,520	582,178	56,679	1,818,377
Other operating expenses	2,585,090	2,768,602	1,323,926	6,677,618
Total operating expenses	4,086,537	3,350,780	1,382,309	8,819,626
Operating income (loss)	208,730	306,776	(426,436)	89,070
Nonoperating revenue (expense)				
Interest income	256,986	112,128	5,151	374,265
Intergovernmental revenue	-	25,000	-	25,000
Other revenues	-	588,377	-	588,377
Total nonoperating revenue (expense)	256,986	725,505	5,151	987,642
Income (loss) before transfers and capital contributions	465,716	1,032,281	(421,285)	1,076,712
Transfers in	1,600,000	3,281,400	573,380	5,454,780
Transfers out	-	-	(296,830)	(296,830)
Change in net position	2,065,716	4,313,681	(144,735)	6,234,662
Fund balances - beginning	28,535,455	15,830,091	1,717,059	46,082,605
Fund balances - ending	$ 30,601,171	$ 20,143,772	$ 1,572,324	$ 52,317,267

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers and users	$ 4,477,387	$ 3,619,316	$ 961,923	$ 9,058,626
Cash paid to suppliers	(3,207,826)	(3,255,736)	(1,178,486)	(7,642,048)
Cash paid to employees	(193,572)	-	-	(193,572)
Net cash provided by (used in) operating activities	1,075,989	363,580	(216,563)	1,223,006
Noncapital financing activities				
Transfers from other funds	1,564,000	1,700,400	573,380	3,837,780
Transfers to other funds	-	-	(181,830)	(181,830)
Tax and intergovernmental revenues	-	613,377	-	613,377
Net cash provided by (used in) noncapital financing activities	1,564,000	2,313,777	391,550	4,269,327
Capital and related financing activities				
Acquisition and construction of capital assets	(9,874,405)	(4,731,448)	-	(14,605,853)
Net cash provided by (used in) capital and related financing activities	(9,874,405)	(4,731,448)	-	(14,605,853)
Investing activities				
Sales/(purchases) of investments, net	6,953,290	1,895,645	(69,354)	8,779,581
Investment earnings	256,986	112,128	5,151	374,265
Net change in equity investment in joint venture	19,052	-	-	19,052
Net cash provided by (used in) investing activities	7,229,328	2,007,773	(64,203)	9,172,898
Net increase (decrease) in cash and cash equivalents	(5,088)	(46,318)	110,784	59,378
Cash and cash equivalents				
Beginning of year	6,483	862,091	241,875	1,110,449
End of year	$ 1,395	$ 815,773	$ 352,659	$ 1,169,827

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

COMBINING STATEMENT OF CASH FLOWS - Continued
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 208,730	$ 306,776	$ (426,436)	$ 89,070
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,179,520	582,178	56,679	1,818,377
Pension expense (negative expense)	-	(264,385)	-	(264,385)
Change in assets and liabilities				
(Increase) decrease in receivables	182,120	40,457	(62)	222,515
(Increase) decrease in prepayments	-	(6,069)	16,638	10,569
(Increase) decrease in inventories	-	-	5,647	5,647
Increase (decrease) in accounts payable	(494,827)	(54,513)	124,859	(424,481)
Increase (decrease) in accrued expenses	446	(168,236)	-	(167,790)
Increase (decrease) in deferred revenue	-	(72,628)	6,112	(66,516)
Total adjustments	867,259	56,804	209,873	1,133,936
Net cash provided by (used in) operating activities	$ 1,075,989	$ 363,580	$ (216,563)	$ 1,223,006

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

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Internal Service Funds

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

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

Assets	**Fleet Maintenance**	**Risk Management**	**Health Insurance**	**Equipment Replacement**	**City Buildings**	**Total**
Current assets						
Cash & temporary investments	$ 700,013	$ 1,960	$ 674	$ 1,034	$ 1,073,392	$ 1,777,073
Investments	50,673,335	36,243,019	25,688,806	22,791,839	46,084	135,443,083
Accounts receivable	24,006	362,370	42,950	-	223,758	653,084
Due from other funds	1,500,000	-	-	-	800,000	2,300,000
Inventories	1,129,323	-	-	-	-	1,129,323
Total current assets	54,026,677	36,607,349	25,732,430	22,792,873	2,143,234	141,302,563
Noncurrent assets						
Construction in process	1,214,490	-	-	784,821	-	1,999,311
Building & building improvements	257,391	-	-	-	-	257,391
Equipment	72,678,146	19,995	-	26,017,372	-	98,715,513
Less: accumulated depreciation	(45,671,729)	(15,996)	-	(16,717,787)	-	(62,405,512)
Total capital assets (net of accumulated depreciation)	28,478,298	3,999	-	10,084,406	-	38,566,703
Equity interest in joint venture	-	-	-	-	1,408,609	1,408,609
Total noncurrent assets	28,478,298	3,999	-	10,084,406	1,408,609	39,975,312
Total assets	82,504,975	36,611,348	25,732,430	32,877,279	3,551,843	181,277,875
Deferred outflows of resources						
Pensions	1,147,481	260,138	124,049	-	-	1,531,668
Total deferred outflows of resources	1,147,481	260,138	124,049	-	-	1,531,668
Liabilities						
Current liabilities						
Accounts payable	978,761	362,618	805,029	819,910	-	2,966,318
Accrued liabilities	244,210	49,383	34,982	-	-	328,575
Customer deposits	6,493	-	-	-	-	6,493
Due to other funds	-	149,000	507,000	-	1,025,000	1,681,000
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	1,229,464	5,661,001	1,347,011	819,910	1,025,000	10,082,386
Noncurrent liabilities						
Net pension liability	3,655,866	828,799	395,219	-	-	4,879,884
Estimated claims liability	-	12,600,000	2,750,000	-	-	15,350,000
Total noncurrent liabilities	3,655,866	13,428,799	3,145,219	-	-	20,229,884
Total liabilities	4,885,330	19,089,800	4,492,230	819,910	1,025,000	30,312,270
Deferred inflows of resources						
Pensions	111,636	25,308	12,068	-	-	149,012
Total deferred inflows of resources	111,636	25,308	12,068	-	-	149,012
Net position						
Net investment in capital assets	28,478,298	3,999	-	10,084,406	-	38,566,703
Unrestricted	50,177,192	17,752,379	21,352,181	21,972,963	2,526,843	113,781,558
Total net position	$ 78,655,490	$ 17,756,378	$ 21,352,181	$ 32,057,369	$ 2,526,843	$ 152,348,261

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Operating revenues						
Charges for services	$ 16,762,533	$ 6,678,844	$ 20,307,062	$ 2,888,720	$ 2,300,252	$ 48,937,411
Total operating revenues	16,762,533	6,678,844	20,307,062	2,888,720	2,300,252	48,937,411
Operating expenses						
Personal services	2,820,923	651,325	318,232	-	-	3,790,480
Materials & supplies	4,243,939	29,158	27,626	2,675	-	4,303,398
Depreciation & amortization	5,531,819	3,999	-	2,687,454	-	8,223,272
Other operating expenses	1,548,472	6,153,471	19,693,751	-	2,319,905	29,715,599
Total operating expenses	14,145,153	6,837,953	20,039,609	2,690,129	2,319,905	46,032,749
Operating income (loss)	2,617,380	(159,109)	267,453	198,591	(19,653)	2,904,662
Nonoperating revenue (expense)						
Investment income (loss)	1,019,421	742,901	548,476	463,819	952	2,775,569
Intergovernmental revenue	-	-	-	1,080	-	1,080
Other revenues (expenses)	783,120	176,945	210,823	(1,141)	-	1,169,747
Total nonoperating revenue (expense)	1,802,541	919,846	759,299	463,758	952	3,946,396
Income (loss) before transfers and capital contributions	4,419,921	760,737	1,026,752	662,349	(18,701)	6,851,058
Transfers in	509,127	-	-	1,776,485	-	2,285,612
Transfers out	-	-	-	(75,687)	(510,632)	(586,319)
Capital contributions	83,309	-	-	359,411	-	442,720
Change in net position	5,012,357	760,737	1,026,752	2,722,558	(529,333)	8,993,071
Total net position, beginning	73,643,133	16,995,641	20,325,429	29,334,811	3,056,176	143,355,190
Total net position, ending	$ 78,655,490	$ 17,756,378	$ 21,352,181	$ 32,057,369	$ 2,526,843	$ 152,348,261

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Operating activities						
Receipts from interfund services provided	$ 16,890,393	$ 6,356,734	$ 20,307,395	$ 2,888,720	$ 2,135,707	$ 48,578,949
Cash paid to suppliers	(7,039,674)	(6,182,629)	(27,626)	(2,675)	-	(13,252,604)
Cash paid to employees	(2,874,169)	(648,859)	(323,557)	-	-	(3,846,585)
Cash paid for interfund services used	-	223,520	595,752	-	(2,319,905)	(1,500,633)
Payments of claims and insurance	-	-	(19,439,087)	-	-	(19,439,087)
Net cash provided by (used in) operating activities	6,976,550	(251,234)	1,112,877	2,886,045	(184,198)	10,540,040
Noncapital financing activities						
Transfers from other funds	(990,873)	(151,000)	(1,013,000)	1,725,500	(285,632)	(715,005)
Tax and intergovernmental revenues	866,429	176,945	210,823	(63)	-	1,254,134
Net cash provided by (used in) noncapital financing activities	(124,444)	25,945	(802,177)	1,725,437	(285,632)	539,129
Capital and related financing activities						
Acquisition and construction of capital assets	(5,666,919)	-	-	(1,814,221)	-	(7,481,140)
Capital contributions	-	-	-	359,411	-	359,411
Net cash provided by (used in) capital and related financing activities	(5,666,919)	-	-	(1,454,810)	-	(7,121,729)
Investing activities						
Sales/(purchases) of investments, net	(2,885,292)	(517,276)	(863,151)	(3,850,617)	(435)	(8,116,771)
Investment earnings	1,019,421	742,901	548,476	463,819	952	2,775,569
Net change in equity investment in joint venture	-	-	-	-	231,375	231,375
Net cash provided by (used in) investing activities	(1,865,871)	225,625	(314,675)	(3,386,798)	231,892	(5,109,827)
Net increase (decrease) in cash and cash equivalents	(680,684)	336	(3,975)	(230,126)	(237,938)	(1,152,387)
Cash and cash equivalents						
Beginning of year	1,380,697	1,624	4,649	231,160	1,311,330	2,929,460
End of year	$ 700,013	$ 1,960	$ 674	$ 1,034	$ 1,073,392	$ 1,777,073

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

COMBINING STATEMENT OF CASH FLOWS - Continued
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 2,617,380	$ (159,109)	$ 267,453	$ 198,591	$ (19,653)	$ 2,904,662
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	5,531,819	3,999	-	2,687,454	-	8,223,272
Pension expense (income)	(49,262)	(11,168)	(5,325)	-	-	(65,755)
Change in assets and liabilities						
(Increase) decrease in receivables	127,860	(322,110)	333	-	(164,545)	(358,462)
(Increase) decrease in inventories	(20,889)	-	-	-	-	(20,889)
Increase (decrease) in accounts payable	(1,129,736)	223,520	595,752	-	-	(310,464)
Increase (decrease) in accrued expenses	(3,984)	13,634	4,664	-	-	14,314
Increase (decrease) in customer deposits	(96,638)	-	-	-	-	(96,638)
Increase (decrease) in estimated liability for litigation and claims	-	-	250,000	-	-	250,000
Total adjustments	4,359,170	(92,125)	845,424	2,687,454	(164,545)	7,635,378
Net cash provided by (used in) operating activities	$ 6,976,550	$ (251,234)	$ 1,112,877	$ 2,886,045	$ (184,198)	$ 10,540,040

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

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Fiduciary Funds

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

Agency 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 ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

	City Choice Plus	Employee Health Savings Fund	Total
Assets			
Cash	$ 1,135	$ 146,343	$ 147,478
State & municipal government securities	66,821	-	66,821
Accounts receivable	285,742	-	285,742
Due from other funds	-	1,000,000	1,000,000
Total current assets	$ 353,698	$ 1,146,343	$ 1,500,041
Liabilities			
Health care claims liability	$ 327,698	$ 1,146,343	$ 1,474,041
Due to other funds	26,000	-	26,000
Total liabilities	$ 353,698	$ 1,146,343	$ 1,500,041

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	July 1, 2018	Additions	Deductions	June 30, 2019
City Choice Fund				
Assets				
Cash	$ 42,475	$ 1,135	$ 42,475	$ 1,135
State & municipal government securities	119,956	-	53,135	66,821
Accounts receivable	269,673	285,742	269,673	285,742
Total assets	$ 432,104	$ 286,877	$ 365,283	$ 353,698
Liabilities				
Health care claims liability	$ 288,904	$ 260,877	$ 222,083	$ 327,698
Due to other funds	143,200	26,000	143,200	26,000
Total liabilities	$ 432,104	$ 286,877	$ 365,283	$ 353,698
Employee Health Savings Fund				
Assets				
Cash	$ 1,124,151	$ 146,343	$ 1,124,151	$ 146,343
Due from other funds	143,200	1,000,000	143,200	1,000,000
Total assets	$ 1,267,351	$ 1,146,343	$ 1,267,351	$ 1,146,343
Liabilities				
Health care claims liability	$ 1,267,351	$ 1,146,343	$ 1,267,351	$ 1,146,343
Total liabilities	$ 1,267,351	$ 1,146,343	$ 1,267,351	$ 1,146,343
Total All Agency Funds				
Assets				
Cash	$ 1,166,626	$ 147,478	$ 1,166,626	$ 147,478
State & municipal government securities	119,956	-	53,135	66,821
Accounts receivable	269,673	285,742	269,673	285,742
Due from other funds	143,200	1,000,000	143,200	1,000,000
Total assets	$ 1,699,455	$ 1,433,220	$ 1,632,634	$ 1,500,041
Liabilities				
Health care claims liability	$ 1,556,255	$ 1,407,220	$ 1,489,434	$ 1,474,041
Due to other funds	143,200	26,000	143,200	26,000
Total liabilities	$ 1,699,455	$ 1,433,220	$ 1,632,634	$ 1,500,041

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

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COMPONENT UNIT

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
JUNE 30, 2019

Assets	
Current assets:	
Cash & temporary investments	$ 2,547,197
Investments	2,019,881
Accounts receivable	6,585,024
Inventories	1,352,703
Total current assets	12,504,805
Noncurrent assets:	
Land and site improvements	2,199,236
Buildings and improvements	32,599,049
Equipment, furniture and fixtures	39,303,096
Infrastructure and site improvements	557,914
Construction in progress	138,641
Less: accumulated depreciation	(35,535,016)
Total capital assets (net of accumulated depreciation)	39,262,920
Total assets	51,767,725
Liabilities	
Current liabilities:	
Accounts payable	700,386
Accrued liabilities	648,286
Due to primary government	2,584,000
Total liabilities	3,932,672
Deferred inflows of resources	
Deferred revenue	1,433,998
Total deferred inflows of resources	1,433,998
Net position	
Net investment in capital assets	39,262,920
Unrestricted	7,138,135
Total net position	$ 46,401,055

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2019

Operating revenues	
Charges for services	$ 6,621,311
Total operating revenues	6,621,311
Operating expenses	
Personal services	16,509,887
Materials & supplies	4,316,788
Depreciation & amortization	4,035,518
Other operating expenses	7,701,465
Total expenses	32,563,658
Operating income (loss)	(25,942,347)
Nonoperating revenue (expense)	
Intergovernmental revenue	24,534,570
Other expenses	(1,931,508)
Total nonoperating revenue (expense)	22,603,062
Change in net position	(3,339,285)
Total net position, beginning	49,740,340
Total net position, ending	$ 46,401,055

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2019

Operating activities	
Cash received from customers and users	$ 6,621,311
Cash paid to suppliers	(12,170,450)
Cash paid to employees	(16,255,666)
Net cash provided by (used in) operating activities	(21,804,805)
Noncapital financing activities	
Transfers from primary government	(225,500)
Tax and intergovernmental revenues	25,691,381
Net cash provided by (used in) noncapital financing activities	25,465,881
Capital and related financing activities	
Acquisition of capital assets	(851,298)
Net cash provided by (used in) capital and related financing activities	(851,298)
Investing activities	
Sales/(purchases) of investments, net	(452,299)
Net cash provided by (used in) investing activities	(452,299)
Net increase (decrease) in cash and cash equivalents	2,357,479
Cash and cash equivalents	
Beginning of year	189,718
End of year	$ 2,547,197

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

STATEMENT OF CASH FLOWS - Continued
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2019

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	(25,942,347)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		4,035,518
Change in assets and liabilities		
(Increase) decrease in inventories		(26,361)
Increase (decrease) in accounts payable		(125,836)
Increase (decrease) in accrued expenses		254,221
Total adjustments		4,137,542
Net cash provided by (used in) operating activities	$	(21,804,805)

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

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STATISTICAL SECTION

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

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Financial Trends

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

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Revenue Capacity

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

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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.

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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.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Invested in capital assets, net of related debt	$ 213,568	$ 220,028	$ 220,585	$ 223,777	$ 231,666	$ 225,581	$ 261,956	$ 298,791	$ 305,396	$ 342,292
Restricted	39,449	43,399	46,675	61,997	49,782	22,870	15,759	12,817	11,984	12,630
Unrestricted	218,176	233,442	237,088	243,367	260,379	162,267	186,985	203,126	209,403	199,406
Total Governmental Activities Net Position	$ 471,193	$ 496,869	$ 504,348	$ 529,141	$ 541,827	$ 410,718	$ 464,700	$ 514,734	$ 526,783	$ 554,328
Business-type Activities										
Invested in capital assets, net of related debt	$ 26,344	$ 26,075	$ 24,881	$ 28,494	$ 29,159	$ 30,011	$ 31,484	$ 35,332	$ 37,202	$ 54,237
Unrestricted	24,590	33,712	38,728	39,323	40,223	42,012	48,363	51,795	70,336	67,766
Total Business-type Activities Net Position	$ 50,934	$ 59,787	$ 63,609	$ 67,817	$ 69,382	$ 72,023	$ 79,847	$ 87,127	$ 107,538	$ 122,003
Primary Government										
Invested in capital assets, net of related debt	$ 239,912	$ 246,103	$ 245,466	$ 252,271	$ 260,825	$ 255,592	$ 293,440	$ 334,123	$ 342,598	$ 396,529
Restricted	39,449	43,399	46,675	61,997	49,782	22,870	15,759	12,817	11,984	12,630
Unrestricted	242,766	267,154	275,816	282,690	300,602	204,279	235,348	254,921	279,739	267,172
Total Primary Government Net Position	$ 522,127	$ 556,656	$ 567,957	$ 596,958	$ 611,209	$ 482,741	$ 544,547	$ 601,861	$ 634,321	$ 676,331

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General government	$ 13,348	$ 13,495	$ 34,882	$ 23,591	$ 32,702	$ 16,347	$ 20,697	$ 24,653	$ 44,384	$ 47,664
Public safety	81,637	83,059	85,416	88,381	89,816	91,659	95,864	100,752	95,748	98,472
Physical environment	45,244	46,977	48,046	49,230	51,368	49,559	51,100	54,041	53,452	53,906
Transportation	9,647	10,467	11,201	11,970	11,048	10,866	10,589	11,016	13,307	14,135
Economic Development	16,441	11,878	8,460	8,120	8,752	10,550	19,843	13,499	10,570	12,951
Parks & Recreation	12,858	12,308	11,827	10,195	10,345	10,723	9,586	9,936	11,474	11,799
Health & Sanitation	10,430	10,361	11,111	10,388	10,688	10,274	10,414	9,738	8,766	9,545
Interest on long-term debt	2,398	2,152	1,989	1,718	1,827	2,196	2,339	1,998	1,760	2,168
Total governmental activities expenses	192,003	190,697	212,932	203,593	216,546	202,174	220,432	225,633	239,461	250,640
Business-type Activities:										
Metro parking	1,364	1,610	1,625	1,184	5,689	2,721	2,372	3,475	5,364	4,087
Public assembly facilities	4,847	6,539	4,535	5,212	5,751	4,563	3,888	5,584	6,937	3,351
Knoxville Convention Center	19,393	19,395	19,013	17,081	16,716	17,530	16,909	17,735	19,549	18,482
Municipal Golf Courses	1,368	1,811	1,440	1,413	1,427	1,457	1,597	1,076	1,255	1,382
Total business-type activities	26,972	29,355	26,613	24,890	29,583	26,271	24,766	27,870	33,105	27,302
Total primary government	$ 218,975	$ 220,052	$ 239,545	$ 228,483	$ 246,129	$ 228,445	$ 245,198	$ 253,503	$ 272,566	$ 277,942
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	$ 651	$ 757	$ 817	$ 860	$ 2,339	$ 1,923	$ 1,726	$ 1,259	$ 1,228	$ 1,298
Public safety	9,436	8,945	6,971	7,185	6,114	6,263	6,259	7,224	6,900	7,214
Physical environment	1,026	985	1,539	1,561	1,583	761	1,261	1,523	1,674	2,132
Transportation	760	955	640	551	635	729	630	406	443	484
Economic Development	955	665	428	260	355	578	172	408	144	283
Parks & recreation	689	537	531	494	583	630	642	669	754	735
Health & sanitation	54	49	40	38	36	41	33	40	36	38
Operating grants and contributions	15,758	14,811	10,088	7,517	8,409	7,710	7,893	9,103	6,632	5,754
Capital grants and contributions	4,724	3,777	3,318	3,556	4,693	6,658	11,573	14,262	7,608	7,852
Total governmental activities program revenues	34,053	31,481	24,372	22,022	24,747	25,293	30,189	34,894	25,419	25,790
Business-type Activities:										
Charges for Services:										
Metro parking	1,690	1,565	1,418	1,685	1,546	1,539	1,796	2,182	4,014	4,295
Public assembly facilities	1,400	1,855	2,090	1,954	1,952	1,786	1,630	2,993	3,579	3,658
Knoxville Convention Center	5,797	5,171	4,962	5,386	4,755	4,438	4,651	5,420	5,436	5,722
Municipal Golf Courses	1,121	1,195	1,332	1,193	1,317	1,082	1,048	1,043	982	956
Operating grants and contributions	1,435	1,500	1,750	1,562	1,500	1,500	1,500	1,500	1,500	1,500
Total business-type activities program revenues	11,443	11,286	11,552	11,780	11,070	10,345	10,625	13,138	15,511	16,131
Total primary government program revenues	$ 45,496	$ 42,767	$ 35,924	$ 33,802	$ 35,817	$ 35,638	$ 40,814	$ 48,032	$ 40,930	$ 41,921
Net expense:										
Governmental Activities	$ 157,950	$ 159,216	$ 188,560	$ 181,571	$ 191,799	$ 176,881	$ 190,243	$ 190,739	$ 214,042	$ 224,850
Business-type Activities	15,529	18,069	15,061	13,110	18,513	15,926	14,141	14,732	17,594	11,171
Total primary government net expense	$ 173,479	$ 177,285	$ 203,621	$ 194,681	$ 210,312	$ 192,807	$ 204,384	$ 205,471	$ 231,636	$ 236,021
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	$ 117,760	$ 118,043	$ 121,124	$ 121,922	$ 123,072	$ 140,772	$ 144,263	$ 145,721	$ 148,287	$ 150,054
Intergovernmental revenues	61,625	61,221	60,798	68,337	65,910	67,588	76,727	74,157	77,633	72,959
Other taxes	17,955	18,525	19,968	20,763	20,053	20,844	21,986	22,159	23,153	23,752
Other revenue	2,733	3,669	2,296	4,465	4,062	3,941	8,440	4,866	7,470	13,913
Transfers	(10,900)	(16,352)	(8,148)	(9,123)	(8,612)	(9,653)	(7,191)	(6,129)	(19,855)	(8,284)
Total governmental activities	189,173	185,106	196,038	206,364	204,485	223,492	244,225	240,774	236,688	252,394
Business-type Activities:										
Intergovernmental revenues	4,283	4,539	4,689	3,198	4,888	3,451	7,042	6,983	9,779	8,087
Other taxes	5,047	5,218	5,420	5,211	5,395	5,921	6,903	6,756	7,009	7,195
Other revenue	240	599	627	570	1,182	1,352	829	2,143	1,363	2,070
Transfers	10,900	16,352	8,148	9,123	8,612	9,653	7,191	6,129	19,855	8,284
Total business-type activities	20,470	26,708	18,884	18,102	20,077	20,377	21,965	22,011	38,006	25,636
Total primary government	$ 209,643	$ 211,814	$ 214,922	$ 224,466	$ 224,562	$ 243,869	$ 266,190	$ 262,785	$ 274,694	$ 278,030
Changes in Net Position										
Governmental activities	$ 31,223	$ 25,890	$ 7,478	$ 24,793	$ 12,686	$ 46,611	$ 53,982	$ 50,035	$ 22,646	$ 27,544
Business-type activities	4,941	8,639	3,823	4,992	1,564	4,451	7,824	7,279	20,412	14,465
Total primary government	$ 36,164	$ 34,529	$ 11,301	$ 29,785	$ 14,250	$ 51,062	$ 61,806	$ 57,314	$ 43,058	$ 42,009

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

	Fiscal Year									
	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	$ 960									
Unreserved	59,704									
Nonspendable		$ 425	$ 385	$ 300	$ 324	$ 443	$ 364	$ 353	$ 305	$ 301
Restricted		1,989	-	-	-	-	-	-	-	-
Committed		34,631	39,136	36,771	40,232	41,469	42,650	48,086	45,875	46,396
Assigned		231	311	2,648	2,482	3,353	4,038	20,143	11,778	12,699
Unassigned		27,987	19,892	30,436	27,958	30,508	38,458	27,757	30,557	27,489
Total general fund	$ 60,664	$ 65,263	$ 59,724	$ 70,155	$ 70,996	$ 75,773	$ 85,510	$ 96,339	$ 88,515	$ 86,885
All other governmental funds										
Nonspendable/Restricted (Reserved/Designated)	$ 3,428									
Unreserved, reported in:										
Special Revenue funds	26,055									
Debt Service funds	36,907									
Capital Projects funds	72,654									
Nonspendable		$ 656	$ 739	$ 737	$ 673	$ 1,076	$ 1,122	$ 856	$ 1,185	$ 1,294
Restricted		65,277	60,074	61,133	63,370	36,908	24,592	12,193	11,361	12,006
Committed		73,913	84,068	89,885	93,181	150,904	150,342	133,869	172,508	157,838
Assigned		-	-	-	-	-	-	16,883	579	651
Total all other governmental funds	$ 139,044	$ 139,846	$ 144,881	$ 151,755	$ 157,224	$ 188,888	$ 176,056	$ 163,801	$ 185,633	$ 171,789

* In FY 2011 the City adopted GASB 54 which changed the definition of Reserved/Designated and Unreserved Fund Balances.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes, assessments, interest & penalties	$ 168,880	$ 173,425	$ 180,543	$ 183,445	$ 184,128	$ 204,089	$ 212,108	$ 212,992	$ 217,761	$ 223,517
Licenses, permits & inspection charges	1,726	1,708	1,975	1,994	2,027	2,266	2,656	3,005	3,052	3,331
Intergovernmental revenue	40,729	37,081	30,040	37,359	34,586	36,125	48,074	45,811	43,520	34,889
Charges for services	6,997	6,859	6,502	6,528	6,263	7,089	6,118	6,728	5,013	5,548
Fines & forfeitures	5,924	5,536	3,637	4,010	3,256	3,247	3,147	3,010	4,190	4,156
Other	7,568	6,207	5,370	5,170	5,524	5,073	8,354	8,350	6,665	12,875
Total revenues	231,824	230,816	228,067	238,506	235,784	257,889	280,457	279,896	280,201	284,316
Expenditures										
Current:										
General government	13,958	14,267	15,983	15,701	16,242	17,000	17,308	17,189	35,610	37,487
Public safety	79,071	81,613	85,311	86,986	89,224	99,871	102,155	103,510	95,559	100,214
Physical environment	21,487	66,819	59,861	58,565	61,475	61,478	63,178	63,287	63,059	64,104
Parks & recreation	906	907	7,722	7,621	7,976	8,422	8,652	8,721	9,001	9,327
Economic development	60,222	13,790	23,043	12,961	11,896	11,994	22,549	16,902	13,052	15,535
Other	-	-	486	91	68	248	-	-	-	-
Capital Outlay	20,864	19,155	17,497	19,253	25,892	36,163	51,710	53,188	36,657	54,810
Debt Service:										
Principal	5,396	5,577	4,853	5,413	5,291	5,384	6,141	4,998	4,742	6,237
Interest	2,439	2,188	2,116	1,730	1,745	2,136	2,328	2,039	1,789	2,092
Total expenditures	204,343	204,316	216,872	208,321	219,809	242,696	274,021	269,834	259,469	289,806
Excess of revenues over expenditures	27,481	26,500	11,195	30,185	15,975	15,193	6,436	10,062	20,732	(5,490)
Other Financing Sources (Uses)										
Net proceeds from issuance of debt	13,471	-	411	-	-	31,607	-	-	15,666	-
Transfers in	42,809	39,727	35,497	36,787	41,982	45,703	39,296	44,200	51,374	40,903
Transfers out	(57,350)	(60,612)	(47,607)	(49,667)	(51,648)	(56,061)	(48,827)	(55,688)	(73,764)	(50,887)
Total other financing sources (uses)	(1,070)	(20,885)	(11,699)	(12,880)	(9,666)	21,249	(9,531)	(11,488)	(6,724)	(9,984)
Net changes in fund balances	$ 26,411	$ 5,615	$ (504)	$ 17,305	$ 6,309	$ 36,442	$ (3,095)	$ (1,426)	$ 14,008	$ (15,474)
Debt service as a percentage of noncapital	4.2%	4.2%	3.4%	3.7%	3.5%	3.6%	3.7%	3.1%	2.7%	3.3%

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

	Real Property (1)						Personal Property (1)		Public Utilities (2)		Total's			
	Estimated Actual Value:													
Fiscal Year	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	Assessed Taxable Value	Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2010	4,887,267	204,716	6,601,700	358,028	12,051,711	3,687,218	1,115,939	334,782	304,404	167,422	13,472,054	4,189,422	2.46	31%
2011	4,923,683	188,715	6,676,669	359,976	12,149,043	3,714,127	1,055,236	316,571	268,712	147,792	13,472,991	4,178,490	2.46	31%
2012	5,067,449	185,806	6,677,256	365,691	12,296,202	3,770,616	1,071,108	321,529	286,778	157,728	13,654,088	4,249,873	2.46	31%
2013	5,254,329	186,137	6,695,127	370,017	12,505,610	3,841,101	995,924	299,141	300,668	165,368	13,802,202	4,305,610	2.46	31%
2014	5,657,886	215,437	6,679,425	465,822	13,018,570	4,002,458	1,155,830	346,877	283,414	155,878	14,457,814	4,505,213	2.73	31%
2015	5,732,339	225,073	6,714,112	467,659	13,139,183	4,045,652	1,234,486	370,507	306,497	168,573	14,680,166	4,584,732	2.73	31%
2016	5,818,821	229,219	6,752,219	493,767	13,294,026	4,092,562	1,192,171	357,705	317,769	174,773	14,803,966	4,625,040	2.73	31%
2017	5,889,689	220,653	6,802,982	511,324	13,424,648	4,112,628	1,291,255	387,395	310,743	170,908	15,026,646	4,670,931	2.73	31%
2018	6,845,220	247,220	7,472,331	810,146	15,374,917	4,687,158	1,368,707	410,613	310,743	170,908	17,054,367	5,268,679	2.73	31%
2019	6,878,796	238,693	7,885,172	1,083,122	16,085,783	4,758,127	1,336,231	400,870	296,424	163,033	17,718,438	5,322,030	2.46	30%

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

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

	City of Knoxville Tax Rate Distribution			Overlapping Knox County Tax Rate Distribution				Total Direct & Overlapping Rates
Fiscal Year	General Operations	Debt Service	Total	General Operations	Debt Service	School Construction	Total	
2008	1.8900	0.8100	2.7000	1.1300	0.3300	1.2300	2.6900	5.3900
2010	2.0600	0.7500	2.8100	0.9700	0.3100	1.0800	2.3600	5.1700
2011	2.0600	0.7500	2.8100	0.9700	0.3100	1.0800	2.3600	5.1700
2012	1.8000	0.6600	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2013	1.8000	0.6600	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2014	1.8600	0.6000	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
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	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2019	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838

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

		2019			2010		
Taxpayer	Type of Business	Taxable Assessed Value[1]	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value[1]	Rank	Percentage of Total Taxable Assessed Value
SCRIPPS Networks, Inc	Multi media broadcasting company	$ 38,637	1	0.73%	$ 18,438	7	0.44%
Simon Property Group/West Town Mall	Retail	33,709	2	0.64%	36,954	2	0.88%
Hart TC I-II LLC	Property Managemet	33,065	3	0.63%			
Wal-Mart Corporation	Retail	28,850	4	0.55%	29,016	3	0.69%
Metro Knoxville HMA	Medical Services	28,234	5	0.54%			
Fort Sanders Regional Medical Center	Medical Services	24,490	6	0.46%	16,306	9	0.39%
Pilot Corp.	Oil	22,497	7	0.43%			
Comcast Cablevision	media	20,101	8	0.38%			
Knoxville Hotel Associates LLC	Hotel Associates	16,625	9	0.32%			
Tennessee Holding LLC	property management and leasing	15,153	10	0.29%	24,659	5	0.59%
Bellsouth Telecommunications	telecommunications				53,190	1	1.27%
East Towne Mall	retail center				16,800	8	0.40%
AT&T Telecommunications	telecommunications				25,894	4	0.62%
First American National Bank	Financial Services				22,419	6	0.54%
Rohm & Haas	Manufacturing				14,902	10	0.36%
		$ 261,361		4.97%	$ 258,578		6.18%

[1]Data Source: City property tax office

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

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2010	102,836	96,254	93.60%	6,053	102,307	99.49%
2011	103,350	97,167	94.02%	5,596	102,763	99.43%
2012	104,330	99,086	94.97%	4,538	103,624	99.32%
2013	105,918	102,045	96.34%	2,917	104,962	99.10%
2014	107,481	102,862	95.70%	3,331	106,193	98.80%
2015	124,620	120,215	96.47%	2,134	122,349	98.18%
2016	125,854	120,707	95.91%	3,256	123,963	98.50%
2017	128,051	121,450	94.85%	3,605	125,055	97.66%
2018	130,264	123,792	95.03%	3,709	127,501	97.88%
2019	130,469	125,780	96.41%	-	125,780	96.41%

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

Governmental Activities

	General Obligation Bonds			Other Governmental Activities Debt		
Fiscal Year	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	HUD Section 108 Note	Capital Lease	Debt Participation Agreement
2010	51,235	1,178	52,413	-	13,470	1,017
2011	46,675	1,073	47,748	-	13,470	-
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	-	-

Business Type Activities

	General Obligation Bonds			Other Business Type Activities Debt				
Fiscal Year	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	Golf Course Equipment Note	Capital Lease	Total Primary Government[1]	% of Personal Income[2]	Per Capita[2]
2010	137,230	(929)	136,301	90	254	203,545	5.94%	1,137.92
2011	133,495	(865)	132,630	78	179	194,105	5.67%	1,085.15
2012	127,828	971	128,799	65	102	185,747	5.30%	1,027.58
2013	125,378	1,619	126,997	-	-	183,493	5.55%	1,015.11
2014	119,577	1,483	121,060	-	-	166,049	4.27%	906.03
2015	115,239	1,347	116,586	-	-	187,230	4.51%	1,021.61
2016	110,706	1,211	111,917	-	-	177,501	4.13%	957.96
2017	105,548	1,075	106,623	-	-	167,891	3.74%	901.48
2018	100,190	939	101,129	-	-	172,750	3.73%	922.09
2019	94,633	803	95,436	-	-	160,147	3.46%	854.12

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[1]	Total	Percentage of Estimated Taxable Value of Property	Per Capita
2010	188,714	36,397	152,317	3.64%	851.53
2011	180,378	42,532	137,846	3.30%	770.63
2012	185,580	40,732	144,848	3.41%	801.32
2013	183,493	45,811	137,682	3.20%	761.68
2014	166,049	46,833	119,216	2.65%	650.49
2015	187,230	49,746	137,484	2.99%	750.17
2016	176,676	50,252	126,424	2.71%	682.30
2017	164,991	51,242	113,749	2.17%	610.77
2018	169,850	50,707	119,143	2.26%	635.95
2019	157,247	50,772	106,475	2.01%	567.87

[1]The amounts available in the Debt Service Fund meet the requirements of committed fund balance as defined in Note 1.

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 repayment of debt.

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
2009	751,042	640,292	110,750	44,117	2.51
2010	672,927	573,375	99,552	45,681	2.18
2011	724,318	620,009	104,309	47,009	2.22
2012	695,034	589,320	105,714	54,859	1.93
2013	744,281	628,079	116,202	55,257	2.10
2014	752,561	629,663	122,898	61,316	2.00
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

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
2010	26,885	16,500	10,385	6,561	1.58
2011	28,337	17,672	10,665	6,999	1.52
2012	29,263	18,588	10,675	6,862	1.56
2013	28,205	18,402	9,803	6,645	1.48
2014	30,080	18,785	11,295	6,378	1.77
2015	31,119	19,612	11,507	6,367	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

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2019
(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	$ 58,062	100.00%	$ 58,062
Overlapping Debt:			
Knox County	432,634	43.90%	189,926
Knox County Schools	262,827	43.90%	115,381
Total Overlapping Debt	695,461		305,307
Total Direct and Overlapping Debt	$ 753,523		$ 363,369

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 within the City's boundaries and dividing it by the county's total assessed taxable value.

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

					Education Level - Population 25 & Over [1]					
Fiscal Year	Population[1]	Personal Income (In $millions)[2] (MSA)	Per Capita Income[2] (MSA)	Median Age[1]	High School Graduate or higher	Some College or more	Bachelor's Degree or higher	Master's or Professional Degree	School Enrollment[3] (Knox County)	Average Unemployment Rate[4] (MSA)
2010	179,226	28,329.20	34,718	34.4	84.4%	58.8%	29.7%	10.4%	56,516	8.5%
2011	180,753	30,146.3	36,747	34.0	87.7%	59.7%	30.9%	12.9%	56,817	7.9%
2012	182,196	31,807.9	38,572	34.9	89.9%	62.4%	30.2%	11.2%	57,812	7.1%
2013	183,261	31,841.4	38,416	32.9	89.3%	60.9%	30.6%	11.7%	58,940	7.2%
2014	184,292	33,239.1	39,911	32.3	84.6%	54.4%	28.9%	10.4%	59,232	6.1%
2015	185,291	34,900.3	41,673	33.8	87.0%	55.5%	29.9%	11.4%	59,516	5.2%
2016	186,239	35,992.1	42,630	32.8	87.8%	57.6%	29.3%	11.4%	60,313	4.4%
2017	187,347	37,321.8	43,770	33.0	88.2%	55.6%	30.5%	11.6%	58,901	3.6%
2018	187,514	39,343.4	45,739	32.6	89.8%	57.9%	30.3%	12.3%	59,364	3.3%
2019(5)										

Data Sources

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

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

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

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

(5) Data not yet available at this time

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

Employer's Name	2019			2010		
	Number of Employees (1)	Rank	Percentage of Total Area Employment	Number of Employees	Rank	Percentage of Total Area Employment
U.S. Department of Energy (Oak Ridge/Y-12)	12,387	1	2.83%			
Covenant Health	10,419	2	2.38%	8,000	3	3.58%
Knox County Schools	8,082	3	1.85%	8,104	2	3.63%
The University of Tennessee, Knoxville	6,689	4	1.53%	9,317	1	4.17%
Wal-Mart Stores, Inc.	5,881	5	1.34%	2,091	10	0.94%
University of Tennessee Medical Center	5,547	6	1.27%	3,225	5	1.44%
DENSO Manufacturing Tennessee, Inc.	5,000	7	1.14%			
Oak Ridge National Laboratory	4,387	8	1.00%			
Tennova Healthcare	4,001	9	0.91%			
The Dollywood Company	4,000	10	0.91%			
Mercy Health Partners						
St. Mary's Health System (acquired by Tennova)				3,606	4	1.62%
Knox County Government				2,500	7	1.12%
City of Knoxville Government				2,820	6	1.26%
Clayton Homes				2,500	8	1.12%
Sea Ray Boats, Inc.						
Aluminum Company of America (ALCOA)				2,300	9	1.03%
Sea Ray Boats, Inc.						
Total Knoxville MSA Laborforce (2)	437,271			223,229		

(1) Source: Knoxville Oak Ridge Innovation Valley, Major 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)

	Fiscal Year									
Department	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	27.5	26.5	26.0	30.5	30.5	30.5	31.5	33.5	35.5	35.5
Finance	52.5	51.0	51.0	51.5	48.5	49.0	49.0	49.0	50.0	50.0
Information Systems	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Public Works	-	-	-	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Engineering	96.0	87.5	87.5	88.5	89.0	91.5	92.5	92.5	92.0	92.0
Fleet Services	56.0	55.0	55.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Inspections	31.0	29.0	29.0	29.0	29.0	29.0	29.0	40.0	40.0	40.0
Emergency Management	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Public Services	305.0	305.0	305.0	305.0	305.0	305.0	305.0	292.0	292.0	292.0
Community Development	25.5	25.5	23.5	23.5	23.5	21.5	21.5	21.5	20.0	20.0
Recreation	57.0	54.0	54.0	53.0	52.5	51.5	52.0	51.0	51.0	51.0
Law	14.0	13.0	13.0	12.5	19.0	21.0	21.0	21.0	21.0	21.0
Police										
Sworn	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0
Civilian	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0
Subtotal	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0
Fire										
Sworn	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0
Civilian	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Subtotal	337.0	337.0	337.0	337.0	337.0	337.0	337.0	337.0	337.0	337.0
Legislative	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	8.0	8.0
City Court	13.5	13.5	13.5	14.5	14.5	14.5	14.5	14.5	14.0	14.0
Civil Service	12.0	12.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Public Assembly Facilities	35.5	36.0	36.0	36.0	36.0	34.5	34.5	-	-	-
GRAND TOTAL	1,628.0	1,610.5	1,608.0	1,612.5	1,616.0	1,615.5	1,618.0	1,582.5	1,583.5	1,583.5

Sources: Various city departments

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

	Fiscal Year									
Department	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Public Safety										
Police										
Arrests	16,702	16,648	15,898	14,376	11,484	11,900	12,453	10,604	10,691	10,425
Citations	156,053	135,680	107,501	105,635	96,147	88,731	68,374	49,585	45,462	54,577
Fire										
Fire Inspections	3,481	3,692	3,518	4,547	4,144	3,968	3,162	3,366	3,438	2,707
Alarms Attended	20,214	20,463	20,688	21,227	21,644	20,788	22,346	21,647	14,107	25,166
First Responder Calls	10,032	10,442	10,954	10,816	10,546	9,214	10,307	9,573	10,623	10,613
Engineering										
Miles of Streets Resurfaced	38	42	48	55	46	43	40	59	50	58
Parks & Recreation										
Recreation Center Participants	596,748	620,469	551,101	527,224	495,231	472,613	480,993	496,683	440,977	417,903
Service										
Pothole Repairs (by tons of asphalt)	496	561	398	430	357	204	197	480	945	1,102

Sources: Various city departments

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

	Fiscal Year									
Department	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Public Safety										
Safety Building - Police	1	1	1	1	1	1	1	1	1	1
Fire Halls	18	18	18	19	19	19	19	19	19	19
Operations & Engineering										
Street Lights	29,649	29,569	29,711	30,145	30,211	30,232	30,250	30,299	30,314	30,159
Miles of Streets Maintained	1,277	1,277	1,277	1,278	1,178	1,179	1,179	1,175	1,175	1,174
Parks & Recreation										
Recreation Centers	13	12	12	12	12	12	14	16	16	18
Parks	80	81	81	82	82	81	81	93	94	94
Park Acerage	1,963	1,963	1,963	2,000	2,000	2,828	2,828	3,102	3,102	3,102
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	68	68	68	67	67	47	47	45	45	45
Miles of Greenway	44	66	66	85	86	86	86	113	113	113
Golf Courses	3	3	3	3	3	3	3	3	3	3
Pickleball Courts	-	-	-	-	-	-	10	10	10	10
Metro Parking										
Parking Garages	5	5	5	5	5	5	5	5	6	6
Parking Lots	5	7	8	8	8	8	8	9	10	10
Total Spaces	3,827	4,296	4,312	4,289	4,529	4,529	4,688	4,673	5,515	6,151
Fleet										
Garages	2	2	2	2	2	2	2	2	2	2
Number of Vehicles Maintained	1,527	1,630	1,515	1,532	1,538	1,552	1,562	1,510	1,524	1,532

Sources: Various City Departments

COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE

SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2018	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2019	Amount Passed Through to Subrecipients
U.S. Department of Housing and Urban Development	**FEDERAL ASSISTANCE**							
Direct assistance								
	Community Development Block Grant	14.218	B-14-MC-47-0005	$ -	$ 104,111	$ 104,111	$ -	$ -
	Community Development Block Grant	14.218	B-16-MC-47-0005	-	18,675	18,675	-	-
	Community Development Block Grant	14.218	B-17-MC-47-0005	241,564	541,951	300,387	-	874,981
	Community Development Block Grant	14.218	B-18-MC-47-0005	-	873,496	1,162,415	288,919	-
	Community Development Block Grant/Section 108	14.218	B-15-MC-47-0005	12,430	59,139	68,530	21,821	-
		14.218		253,994	1,597,372	1,654,118	310,740	874,981
	Home Grant 2015	14.239	M15-MC-47-0201	-	97,953	97,953	-	-
	Home Grant 2016	14.239	M16-MC-47-0201	-	393,344	393,344	-	-
	Home Grant 2017	14.239	M17-MC-47-0201	(709,712)	334,261	1,043,973	-	-
	Home Grant 2018	14.239	M18-MC-47-0201	-	966,319	117,396	(848,923)	-
		14.239		(709,712)	1,791,877	1,652,666	(848,923)	-
Passed through from								
Tennessee Housing Development Agency	Emergency Shelter (THDA)	14.231	ESG-17-12	101,767	101,767	-	-	-
	Emergency Shelter (THDA)	14.231	ESG-18-03	-	119,110	161,250	42,140	150,000
		14.231		101,767	220,877	161,250	42,140	150,000
	Lead Hazard Control Grant	14.900	TNLHB0705-18	-	-	42,587	42,587	-
		14.900		-	-	42,587	42,587	-
Total U.S. Department of Housing and Urban Development				(353,951)	3,610,126	3,510,621	(453,456)	1,024,981
U.S. Department of Interior								
Passed through from								
State of Tennessee, Wildlife Resources Agency	TWRA grant for new Transient Facility for Boats	15.616	328.01-00829	224,800	224,800	-	-	-
	TWRA funding for the Vol Navy Docks	16.622	328.01-00921	-	-	215,966	215,966	-
Total U.S. Department of Interior				224,800	224,800	215,966	215,966	-
U.S. Department of Justice								
Direct assistance								
	Knoxville's Enhanced Training & Svcs to End Abuse	16.528	2015-EW-AX-K009	61,110	101,253	58,433	18,290	58,433
Department of Justice	Equitable Sharing Program/MLARS	16.922		(645,468)	53,526	110,544	(588,450)	-
Passed through from								
Department of Finance and Administration:								
Office of Juvenile Justice and Delinquency Prevention	TN ICAC Forensic Hiring Program for the Wounded Veteran	16.543	2015-MC-FX-K050	14,910	37,150	25,204	2,964	-
	Tennessee 2016 ICAC Federal Grant	16.543	2016-MC-FX-K052	333,729	630,604	465,590	168,715	72,485
		16.543		348,639	667,754	490,794	171,679	72,485
	2016-2018 Knoxville Victim's Services (VOCA)	16.575	Contract 26743	25,235	111,591	120,872	34,516	-
		16.575		25,235	111,591	120,872	34,516	-
	JAG Family Justice Center TA Provider	16.738	Edison 22561	34,192	-	(34,192)	-	-
	Byrne Justice Assistance Grant - Knoxville TCCRP	16.738	Contract 27197	58,245	20,008	(38,237)	-	-
	2015 Knoxville Knox County JAG Grant	16.738	2015-DJ-BX-0591	39,030	45,375	6,345	-	-
	2016 Knoxville Knox County JAG Grant	16.738	2016-DJ-BX-0707	10,897	16,191	16,918	11,624	-
	2017 Knoxville Knox County JAG Grant	16.738	31774	40,842	71,328	62,507	32,021	-
		16.738		183,206	152,902	13,341	43,645	-
Office of Community Oriented Policing Service	2018 COPS STOP School Violence (SVPP)	16.710	2018-SV-WX-0083	-	-	3,900	3,900	-
		16.710		-	-	3,900	3,900	-
Total U.S. Department of Justice				(27,278)	1,087,026	797,884	(316,420)	130,918
U.S. Department of Transportation								
Direct assistance								
Federal Transit Cluster	2011 CMAQ Grant	20.507	TN-95-X040-00	4,311	7,427	3,116	-	-
	2015 Formula Grant	20.507	TN-2017-012-00	144	22,358	22,214	-	-
	2018 Formula Grant	20.507	TN-2018-047-00	4,716,721	4,955,465	238,744	-	-
	2019 Formula Grant	20.507	TN-2019-032-00	-	-	4,822,435	4,822,435	-
	CMAQ PM 2.5 Grant to purchase buses	20.507	TN-2017-033-00	2,143,328	2,143,328	5,906	5,906	-
	FY18 STP FlexFunds for Bus Enginer Overhaul	20.507	TN-2018-039-00	-	119,207	197,001	77,794	-
	FY18 STP FlexFunds for KAT Passenger Amenities	20.507	TN-2018-051-00	-	-	4,787	4,787	-
		20.507		6,864,504	7,247,785	5,294,203	4,910,922	-
	2013 & 2014 5339 (MAP 21) Grant	20.526	TN-34-0005-00	12,640	14,192	110,913	109,361	-
	2015 5339 (MAP 21) Grant	20.526	TN-2017-002-00/TN-34-0014-00	12,812	267,610	277,410	22,612	-
	2016 5339 Program - KAT Capital Projects Grant	20.526	TN-2017-057-00	-	1,250	1,250	-	-
		20.526		25,452	283,052	389,573	131,973	-
Total Federal Transit Cluster				6,889,956	7,530,837	5,683,776	5,042,895	-

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2018	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2019	Amount Passed Through to Subrecipients
Direct assistance								
Public Transportation Research	5312 Rides to Wellness Grant in Knoxville	20.514	TN-2017-017-00	53,098	91,807	133,892	95,183	-
Passed through from								
Tennessee Department of Transportation	Jackson Avenue Ramps	20.205	Contract 050113; BRZE-9109(103); Pin 106077.00	225,659	76,905	37,986	186,740	-
Tennessee Department of Transportation	Cumberland Avenue Streetscapes & Pedestrian Improvements	20.205	STP-M-9109(115); Pin 110692.00	767,699	363,946	24,562	428,315	-
Tennessee Department of Transportation	Upper Second Creek Greenway	20.205	State 060018; Pin 107380.00	319,010	350,209	35,798	4,599	-
Tennessee Department of Transportation	Access Improvements to I-275 Business Park	20.205	Contract 090268; Pin 110262.00	118,778	36,194	15,101	97,685	-
Tennessee Department of Transportation	N. Central Street Streetscape Improvements	20.205	47LPLM-F3-082; State 110195	852,470	2,416,561	2,586,200	1,022,109	-
Tennessee Department of Transportation	Park City Sidewalk Network Completion	20.205	CM-9109(148); State 110045	50,898	161,338	337,414	226,974	-
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205	STP-M-9109(64); State 070099	4,572	-	6,446	11,018	-
Tennessee Department of Transportation	First Creek Greenway	20.205	STP-EN-9109(143)	-	128,590	128,590	-	-
Tennessee Department of Transportation	Blount-Sevier Corridor Improvements/South Waterfront	20.205	STP-EN-9109(173); State 130166; PIN109677.00	-	59,136	140,788	81,652	-
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205	STP-M-9109(165); State 140161; PIN 120004.00	9,816	20,241	11,704	1,279	-
Tennessee Department of Transportation	Knoxville Citywide Sidewalk Study	20.205	STP-M-9109(180); State 180005; PIN 126939.00	-	3,001	27,469	24,468	-
Tennessee Department of Transportation	Atlantic Avenue Sidewalk	20.205	STP-M-3789(10); State 18006; PIN 126946.00	-	13,268	45,766	32,498	-
Tennessee Department of Transportation	CMAQ funding for ther Chapman Highway Portion of the ATMS	20.205	CM-9109(1171); State 140161	7,600	18,050	11,400	950	-
Tennessee Department of Transportation	Widening of Pleasant Ridge Road, from City Limits to	20.205	STP-EN-9109(53)	110,429	183,444	112,472	39,457	-
Tennessee Department of Transportation	Liberty Street Multimodal Improvements	20.205	TAP-STP-M-9115(171); State 150169	53,167	81,815	36,621	7,973	-
Tennessee Department of Transportation	First Creek Greenway-Broadway Streetscapes	20.205	TAP/STP-M-9115(179); State 170054; Pin 125623.00	7,016	19,564	36,185	23,637	-
		20.205		2,527,114	3,932,262	3,594,502	2,189,354	-
Highway Safety Cluster	2019 Motorcycle Safety Enforcement	20.600	Z-19-THS376/Edison 60103(PT)	-	-	1,658	1,658	-
	Knoxville's FY18 GHSO/DUI Enforcement Program	20.616	Z-18-THS167/Edison 56133(AL)	8,397	10,358	1,961	-	-
		20.616		8,397	10,358	1,961	-	-
Total Highway Safety Cluster				8,397	10,358	3,619	1,658	-
Governor's Highway Safety	Knoxville's FY19 GHSO/DUI Enforcement	20.607	Z-19-THS148/Edison 60100(AL)	-	10,327	13,716	3,389	-
Total U.S. Department of Transportation				9,478,565	11,575,591	9,429,505	7,332,479	-
U.S. Department of Treasury								
Direct assistance								
	Equitable Sharing/TEOAF	21.016		(342,801)	14,017	206,695	(150,123)	-
Total U.S. Department of Treasury				(342,801)	14,017	206,695	(150,123)	-
U.S. Department of Environmental Protection								
Direct assistance								
	EPA/Brownfield Cleanup Cooperative Grant	66.818	BF-00D47816-0	58,429	133,286	114,541	39,684	-
Total U.S. Department of Environmental Protection				58,429	133,286	114,541	39,684	-
U.S. Department of Health & Human Services								
Direct assistance								
	Mental Health First Aid	93.243	1H795M081081-01	-	-	30,327	30,327	30,327
Total U.S. Department of Health & Human Services				-	-	30,327	30,327	30,327
U.S. Office of National Drug Control Policy								
Passed through from								
Financial Commission for Appalachia HIDTA	High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	G18AP0001A	11,050	75,659	64,609	-	-
Financial Commission for Appalachia HIDTA	High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	G19AP0001A	-	76,686	127,084	50,398	-
		95.001		11,050	152,345	191,693	50,398	-
Total U.S. Office of National Drug Control Policy				11,050	152,345	191,693	50,398	-
U.S. Department of Homeland Security								
Passed through from								
Tennessee Emergency Management Agency	Hazardous Mitigation Grant Program/FEMA	97.039	HMGP-4211-0012	57,313	63,779	6,466	-	-
Tennessee Emergency Management Agency	2017 Emergency Management Performance Grant	97.042	EMPG FFY 2018/28885/34101-00819	-	150,000	150,000	-	-
Passed through Knox County	FY2016 Homeland Security Grant Program	97.067	34101-11217/523382-23194	3,000	11,915	8,915	-	-
Passed through Knox County	FY2017 Homeland Security Grant Program	97.067	34101-11318/EMW-2017-SS-00093	-	-	8,310	8,310	-
		97.067		3,000	11,915	17,225	8,310	-
Total U.S. Department of Homeland Security				60,313	225,694	173,691	8,310	-
Total Federal Assistance				$ 9,109,127	$ 17,022,885	$ 14,670,923	$ 6,757,165	$ 1,186,226

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2018	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2019	Amount Passed Through to Subrecipients
STATE ASSISTANCE								
Tennessee Emergency Management Agency	TEMA Portion of Hazardous Mitigation Grant Program		TEMA ID#0402	$ 9,552	$ 10,630	$ 1,078	$ -	$ -
Tennessee Department of Environment & Conservation	FY2017-2018 Household Hazardous Waste		32701-03070/Edison 54036	330,636	470,322	139,686	-	-
Tennessee Department of Environment & Conservation	FY2018-2019 Household Hazardous Waste		32701-03773/Edison 62060	-	-	71,455	71,455	-
Tennessee Department of Agriculture - Forestry Division	TAEP FY19 Tree Planting Program		Edison19004/Urban TAEP	-	20,000	20,000	-	-
Criminal Justice Program	2017 State ICAC Grant/East TN State ICAC		31701-06233; Edison 49531	73,721	217,744	211,434	67,411	-
Tennessee Department of Transportation	Kingston Pike Multimodal Transportation Grant		47LPM-S3-120; State 150072; PIN 121995.00	117,730	-	(112,950)	4,780	-
Tennessee Wildlife Resources Agency	Public Boat Ramp at Ned McWherter's Riverside Landing Park		328.01-00920	-	-	196,068	196,068	-
Tennessee Department of Transportation	Multimodal Access Grant for Merchant Drive & Clinton Highway		47LPM-S3-095; State 140155	320,306	645,644	591,305	265,967	-
Tennessee Department of Transportation	2018-2019 State Operating Grant		47-UROP-S3-015/Z-19-UROP-12-00	-	3,330,800	3,330,800	-	-
Tennessee Department of Transportation	FTA-TN-34-0005-00		475339-S3-002	48,253	48,218	13,830	13,865	-
Tennessee Department of Transportation	FTA-TN-34-0014-00		GG-17-53445-00/Edison 53445	64,331	64,331	34,676	34,676	-
Tennessee Department of Transportation	FTA-TN-90-X3		GG-17-54167-00/Edison 54167	7,550	7,549	2,776	2,777	-
Tennessee Department of Transportation	FTA-TN-90- State Portion of FY17 Formula Grant		GG-19-61017-00/Edison 61017	608,927	608,927	-	-	-
Tennessee Department of Transportation	FTA-TN-90- State Portion of FY18 Formula Grant		GG-19-60961-00/Edison 60961	589,591	619,433	29,842	-	-
Tennessee Department of Transportation	2016 5339 Program - KAT Capital Projects Grant		GG-18-57976-00/Edison 57976	-	-	156	156	-
Tennessee Department of Transportation	FTA-TN-90- State Portion of FY19 Formula Grant		Contract Pending	-	-	602,805	602,805	-
Tennessee Department of Transportation	CMAQ PM 2.5 Grant to purchase buses		GG-18-56839/Edison 56839	267,916	267,916	738	738	-
Tennessee Department of Transportation	FY18 Improve Act Capital Assistance Grant		GG-18-58508-00/Edison 58508	14,638	388	207,882	222,132	-
Tennessee Department of Transportation	FY18 STP FlexFunds for Bus Engine Overhaul		Z-19-5307-04-00	-	-	24,625	24,625	-
Tennessee Department of Transportation	FY18 STP FlexFunds for KAT Passenger Amenities		Z-19-5307-12-00	-	-	598	598	-
Tennessee Department of Transportation	SFY19 Improve Act Capital Assistance Grant		GG-19-61718-00/Edison 61718	-	-	281,621	281,621	-
Total State Assistance				$ 2,453,151	$ 6,311,902	$ 5,648,425	$ 1,789,674	$ -
Total Federal and State Assistance				$ 11,562,278	$ 23,334,787	$ 20,319,348	$ 8,546,839	$ 1,186,226

See independent auditor's report.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019.

These 2019 loan funding balances are also included in the federal expenditures presented in the schedule.

Cluster / Program Title	CFDA Number	FY 19 Loan Funding	Outstanding Balance
Community Development Block Grants	14.218	$ -	$ 4,568,831
Empowerment Zone	14.244	-	387,881
HOME Investment Partnerships Program	14.239	-	9,516,365
Total Loans		$ -	$14,473,077

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019, 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 24, 2019. Our report includes a reference to other auditors who audited the financial statements of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but other matters that are required to be reported under the State of Tennessee Audit Manual are referenced as 2019-001 to 2019-007 in the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
December 24, 2019

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Knoxville, Tennessee's ("the City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. 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 $25,214,110 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority because these component units engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Knoxville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Crosslin, PLLC

Nashville, Tennessee
December 24, 2019

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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, 2019 are:

CFDA Number	Name of Federal Program
14.239	Home Grant
20.205	Highway Planning Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

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

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

2019-001 Misappropriated Parking Funds

Condition, Criteria, Cause, Questioned Costs and Effect

During August 2018, a City employee was found to have stolen coins from a parking meter in the amount of $415.

Recommendations

None

Management's Response and Planned Corrective Action

The employee has been terminated and the amount has been written off by the City. The City considers the matter resolved.

2019-002 Missing Lockbox

Condition, Criteria, Cause, Questioned Costs and Effect

During October 2018, a lockbox containing $2,000 at the City Coliseum was found to be missing.

Recommendations

Internal controls surrounding cash transactions should be strengthened.

Management's Response and Planned Corrective Action

Procedures by ASM Global Knoxville, the City's agent for the operation of the City Coliseum, have been revised to enhance cash oversight and accountability. ASM Global Knoxville has reimbursed the City for the loss.

2019-003 Misappropriated Parking Funds

Condition, Criteria, Cause, Questioned Costs and Effect

During December 2018, an employee of ASM Global Knoxville, the City's agent for the operation of the City Coliseum, was found to have misappropriated cash from a daily parking box in the amount of $815.

Recommendations

Internal controls surrounding cash transactions should be strengthened.

Management's Response and Planned Corrective Action

The funds were recovered from the employee and the employee has been terminated. Procedures by ASM Global Knoxville have been revised to enhance cash oversight.

2019-004 Parking Robbery

Condition, Criteria, Cause, Questioned Costs and Effect

During January 2019, it was reported that a City Coliseum garage parking attendant had been the victim of an armed robbery. The stolen cash and items in total valued $977.

Recommendations

None

Management's Response and Planned Corrective Action

An incident report was filed with the police and the amounts have been written off by the City.

2019-005 Misappropriated Items From Impounded Vehicles

Condition, Criteria, Cause, Questioned Costs and Effect

During February 2019, two City employees were caught removing items from impounded vehicles at the City Impound Lot.

Recommendations

None

Management's Response and Planned Corrective Action

After a police internal affairs investigation and administrative review, both were terminated. The City considers the matter resolved.

2019-006 Misappropriated Event Cash

Condition, Criteria, Cause, Questioned Costs and Effect

During May 2019, it was discovered that three employees of ASM Global Knoxville, the City's agent for the operation of the City Coliseum, were misappropriating cash during event in the amount of $52.

Recommendations

Internal controls surrounding cash transactions should be strengthened.

Management's Response and Planned Corrective Action

The employees were caught through observation by closed circuit cameras and dismissed. Procedures by ASM Global Knoxville have been revised to enhance cash collection operations. The three employees have been terminated and the amounts have been written off by the City.

2019-007 Fraudulent Charge on P-Card

Condition, Criteria, Cause, Questioned Costs and Effect

During May 2019, it was discovered that there were fraudulent charges amounting to $423.74 posted to a City p-card.

Recommendations

None

Management's Response and Planned Corrective Action

The City's bank posted a credit to the City's account in the amount of the original charge. The City considers this matter to be resolved and closed as of year end with no further corrective action necessary.

CITY OF KNOXVILLE, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

None reported.

Financial Awards Findings and Questioned Costs

None reported.

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

Other matters that were required to be reported under the State of Tennessee Audit Manual were referenced as 2018-001. This matter did not repeat and was noted as resolved.