



CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR

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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2020

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF KNOXVILLE, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**PREPARED BY:
CITY OF KNOXVILLE FINANCE DEPARTMENT**

CITY OF KNOXVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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INTRODUCTORY SECTION

CITY OF KNOXVILLE

INDYA KINCANNON, MAYOR



December 22, 2020

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

In compliance with the City of Knoxville Charter requirements, we are submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. These financial statements represent our financial report to the City's governing body, constituents, legislative and oversight bodies, investors, and creditors. Copies of this report will be made available to elected officials, City management personnel, bond rating agencies, and other agencies that express an interest in the City's financial matters. The general public may access these at the City's website online or by request of the City's Finance Department. Based on the information contained in this report, the financial condition of the City remains strong as of June 30, 2020.

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 CAFR is complete and accurate. We believe the enclosed data completely and accurately presents the financial condition of the City in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal 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 activities of the City of Knoxville, as well as its component units. The City provides a full range of services, including, but not limited to, police and fire protection; solid waste collection and disposal; construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. The City also has financial accountability over three component units, Knoxville Utilities Board (KUB), the Metropolitan Knoxville Airport Authority (MKAA), and Knoxville Area Transit (KAT). The financial statements of KUB, MKAA and KAT are included in 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 based on a separate audit and included in the Fiduciary funds section along with two minor health-related benefit agency funds.

Governmental Structure

The City of Knoxville operates under the Mayor-Council form of government. Policymaking and legislative authority are vested in the nine-member City Council, six of whom represent specific districts and three members 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.

Local Economic Condition

The City of Knoxville is the third largest City in the State of Tennessee, having an estimated population of 187,603 (2019 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.

In March, 2020 the world woke up to the beginning of Covid-19 and is still dealing with it. The City of Knoxville was affected by it and the resulting unemployment with its accompanying federal and state government financial support. The external financial support affected the city in many different and divergent ways. General Fund revenues actually increased by \$2.8 Million, mostly in Sales Taxes and Intergovernmental Revenues. Charges for Service dropped as expected which was offset somewhat by the City not bringing on summer program crews, a city wide hiring freeze and cut backs in allowable overtime. Employees are encouraged to work from home where feasible resulting in lower facility costs and a changed work environment, which may end up being the model for city employment in the future.

Our component units were affected differently. Knoxville Area Transit (KAT) and the McGhee Tyson Airport were not as fortunate due to the nature of their operations and dependency on customers as will be expanded upon later in this letter. Knoxville Utilities Board (KUB), which provides electric, gas, water and wastewater to the City and outlying areas actually saw an increase in its revenues, which net of operating expenses, reflected an increase in its net position of \$12.7 Million over the prior year increase in net position.

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 "2019 Economic Impact of Travel on Tennessee" states that tourists spent a total of \$1.222 billion in Knox County in 2019, an increase of 4.12 percent from 2018. Tourism generated a total of \$64.04 million in state and \$28.59 million in local tax revenues, increases of 4.86 percent and 3.63 percent, respectively. A total of 10,700 Knox Countians are normally employed in tourism-related fields, which is an increase of 1.03 percent over 2018, however Covid-19 has surely had an impact on that number at fiscal year end, but the extent is unknown at this time.

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 seventy-one percent of the taxable sales within the County occur inside the corporate limits of Knoxville. Approximately sixty 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
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	\$42,596	4.19%
2020	\$43,526	2.18%

As shown above, in FY20 the City experienced a 2.18% increase in local sales tax in spite of the Covid-19 economic downturn. The spike in 2016 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. While the economic outlook for Knoxville and all other cities is uncertain due to the Covid-19 issues affecting the world, Knoxville's revenues have been stymied somewhat but not to the extent originally feared.

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 FY20, the Knoxville metro area's civilian labor force (full and part-time, non-farm, wage and salary employees and self-employed persons) totaled 412,091 workers. Average unemployment rate in the metro area was 4.9 percent, an increase from 3.2 percent in FY19. Knox County reported a 5.0 percent unemployment in FY20, up from 3.6 percent in FY19.

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.

Knoxville Utilities Board (KUB) provides electric, gas, water and wastewater to more than 468,000 customers in Knoxville and parts of seven surrounding counties. KUB's system is comprised of 5,408 miles of electric service lines, 63 electric substations, 2,499 miles of gas service mains, 1,410 miles of water service mains, 28 water storage facilities, 25 water booster pump stations, one water treatment plant, 1,318 miles of wastewater service mains, 76 wastewater pump stations and 4 wastewater treatment plants. KUB has approximately 1,000 employees. Functioning with an approved operating budget of \$964 million and \$2.1 billion in net capital assets, it is the fourth largest customer of the Tennessee Valley Authority.

McGhee Tyson Airport posted three record-breaking years in a row in FY17, FY18, and FY19 as airline passenger traffic soared. FY20 was on track to become the airport's fourth consecutive record year until the outbreak of COVID-19 in March 2020. Like all other airports, McGhee Tyson passenger activity quickly fell as much as 95%, and remained depressed through the end of FY20. While corporate travel essentially stopped, the airport did continue to serve leisure/ vacation travelers, though at much lower than normal levels. Low-fare leisure carrier Allegiant Air, which operates a significant base at McGhee Tyson Airport, became the airport's largest carrier in June. Allegiant actually added three new destinations from TYS in late FY20: Austin TX, Chicago-Midway Airport IL, and Houston-Hobby Airport TX bringing the total number of Allegiant cities served to 14. As the COVID-19 pandemic continued, McGhee Tyson Airport saw a slow rebound in passenger traffic as visitors to East Tennessee sought outdoor recreation opportunities in the nearby Great Smoky Mountains National Park and Knoxville's Urban Wilderness.

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. The effects of Covid-19 and the need for social distancing reduced its passenger counts, which along with the City providing fare-free travel, only reduced its services revenue by \$242,000. This was more than offset by CARES Act Section 5307 operating assistance for FY20 and will carry over into future periods.

Convention Center and other activities - Knoxville boasts an active tourism and convention trade. The 500,545 square foot convention center on the World's Fair Park site, which opened in June 2002, features spacious meeting rooms and a 400-seat lecture hall. Other facilities include a civic coliseum/auditorium, an exhibition hall/convention center, a 25,000-seat arena, and a conference center at the University of Tennessee. Among Knoxville's many annual events are the Dogwood Arts Festival, Big Ears Festival, Tennessee Valley Fair, the Rossini Festival, Christmas in the City and many other cultural activities. The City is increasingly becoming an outdoor destination with the development of an urban wilderness area in south Knoxville and the enhancement of its park system. With the advent of Covid-19, operations at the Convention Center declined dramatically due to the need for social distancing. ASM, our operator for the Center, reduced its full time staffing through layoffs and has not hired part time staff for event hosting, saving personnel and utility costs.

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.

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.

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, G.C 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 GAAP. 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 audit.

MAJOR INITIATIVES

I. Redevelopment

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

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

The number of people living downtown has more than doubled in recent years, and in 2020, a half-dozen major residential and/or mixed-use developments were under construction. A summer 2020 City of Knoxville blog post reported more than \$180 million was at that point in time being privately invested in condominiums, apartments, restaurants, offices and hotel renovations in Downtown, the adjacent Old City or along the South Waterfront. Another 1,000 new residents will be living in or near Downtown by mid-2021.

The City has been an important partner in the resurgence in and around Downtown, offering a range of tools to developers when necessary to help close gaps in financing and/or investing directly in Downtown infrastructure. The City's long-term strategy has been to encourage reinvestment in the urban core and in neighborhoods radiating out in all directions from Downtown.

To the north of Downtown, the City has committed more than \$6 million to the North Central Streetscapes Project to improve the commercial corridor and complement the private investment being made in the area. New streetscape amenities include new bike lanes, on-street parking, new bus stops and shelters. The City has also directly partnered with various development teams to repurpose vacant buildings. For example, the City recently provided historic preservation funds and deferred taxes to support Axle Logistics converting an empty car dealership building into a new headquarters. The City also has partnered with multiple business owners through a Commercial Façade Grant program.

Currently, the City is investing \$40 million to convert a vacated hospital campus into a new Public Safety Complex, housing Police, Fire administrative, City Court, Pension System and some E-911 operations and another \$6.5 million to raze antiquated buildings and prepare half the site for future private redevelopment. This investment prevents the large site from devolving into blight and strengthens the surrounding neighborhoods.

Additionally, in North Knoxville, the City is committing \$5.4 million to the I-275 Business Park Access Improvements Project, a major overhaul of an underused commercial corridor. The City's upgrades will encourage new business investment.

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

To the south of Downtown, the new Suttree Landing Park opened in 2016 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. The street and park represented a \$6.6 million initial investment. Three years later, a new pavilion, ADA-accessible kayak launch, floating dock and restrooms opened – a \$2 million next phase.

A few miles away, the City is currently developing a \$10 million Urban Wilderness Gateway Park, which includes a bike park and pump track.

To the east of Downtown, the City completed a Magnolia Avenue Streetscapes Project. The \$7 million project includes landscaping, sidewalk improvements, new bike lanes, benches, bus shelters and other amenities to make the area from Jessamine Street to Bertrand Street safer, more beautiful, and more enjoyable to local residents. The upgrades are expected to spur private investment.

And to the west, the City's two-year top-to-bottom reconstruction of Cumberland Avenue was completed in 2017. Cumberland between 17th and 22nd streets was transformed into a safer, more pedestrian-friendly corridor with new utility infrastructure, wider sidewalks, improved traffic flow, a raised landscaped median and left-turn lanes at intersections. The public investment of \$25 million has leveraged more than \$190 million in private investment.

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

II. Sustainability

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

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. Knoxville Area Transit, which operates buses and trolleys in the City of Knoxville, is purchasing its first all-electric buses.

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.

Making Knoxville a leader in fighting climate change requires collaboration. To identify and evaluate strategies to achieve the 80% by 2050 community goal, Mayor Indya Kincannon has convened a Mayor's Climate Council. This group includes conservation advocates, clean energy experts, advocates for equity, neighborhood representatives, developers and business leaders, and representatives from KUB and TVA. Collectively, the goal is to find smart solutions to promote sustainable redevelopment in Knoxville while protecting green spaces and reducing carbon emissions.

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 City is supporting collaborations to build affordable housing throughout Knoxville, with an emphasis on new rental units with easy access to public transit facilities and resources in the urban core.

Great neighborhoods also have access to parks, greenways, natural areas, and recreational opportunities. They safely accommodate pedestrians, bicycles, public transit, and vehicles. The City has continued to invest in 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 million for the Fort Dickerson Quarry Development project. All of these projects promote Knoxville's tremendous outdoor recreational opportunities for local citizens and visitors alike.

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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, 2019. This was the 34th 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, 2019. This marks the 31st consecutive year that the City has won this Award. The Distinguished Budget Presentation Award recognizes that the City's budget document is a proficient policy document, financial plan, operation guide and communications medium.

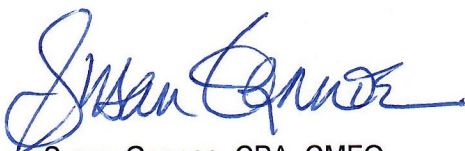
Acknowledgments

The preparation of this report results from the combined efforts of many people. Special recognition and appreciation goes to the dedicated service of the entire City Finance Department whose audit efforts are led by Comptroller Boe Cole, the assistance of applicable personnel in the various departments, Savannah Maupin, the City's Internal Auditor, the valuable guidance and assistance of the staff of the City's independent auditors, Crosslin & Associates, P.C., and the City Council audit committee comprised of Lauren Rider (Chair), Tommy Smith, Andrew Roberto, Janet Testerman, and Amelia Parker. The national recognition afforded the City of Knoxville could not have been achieved without the increasing participation and enthusiasm of the residents 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 Knoxville's and surrounding areas. We express our sincere appreciation to these individuals and to the City Council for their support and interest in improving Knoxville's fiscal policies and practices,

Respectfully,



Indya Kincannon
Mayor



Susan Gennoe, CPA, CMFO
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

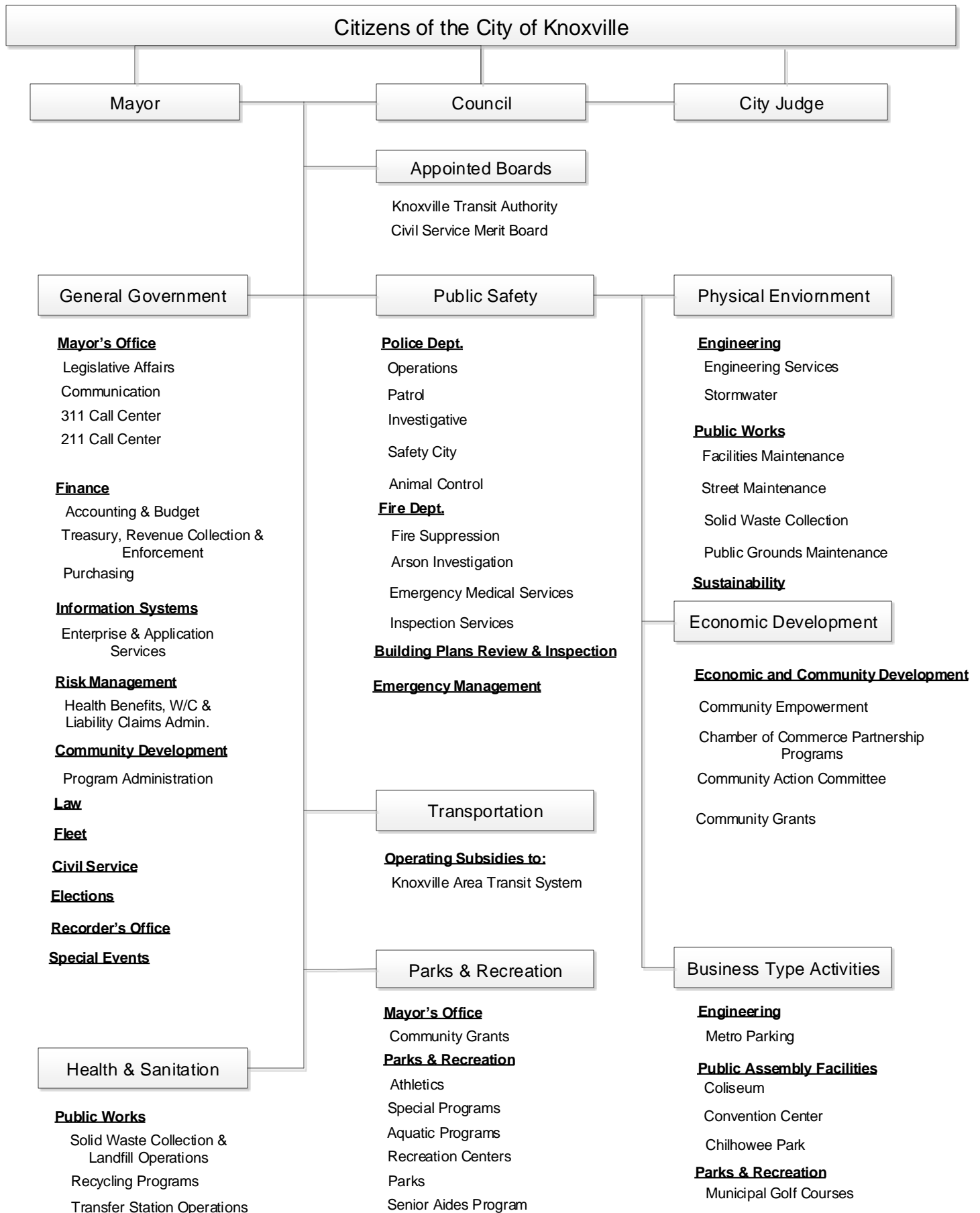
June 30, 2019

Christopher P. Morill

Executive Director/CEO

City of Knoxville, Tennessee

Organizational Structure by Function



CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF PRINCIPAL OFFICIALS OF THE CITY OF KNOXVILLE, TENNESSEE

MAYOR
Indya Kincannon

CITY COUNCIL

Tommy Smith
Andrew Roberto
Seema Singh

Lauren Rider
Charles Thomas
Gwen McKenzie, Vice Mayor

Lynne Fugate
Janet Testerman
Amelia Parker

CITY JUDGE
John Rosen

PRINCIPAL DIRECTORS AND ADMINISTRATORS

Deputy to the Mayor – David Brace, Chief Operating Officer
Deputy to the Mayor – Erin Gill, Chief Policy Officer
Deputy to the Mayor – Stephanie Welch, Chief Economic and Community Development Officer
Airport – Patrick Wilson, President
City Recorder – Will Johnson
Civil Service – Vicki Hatfield, Director
Communications – Kristin Farley, Director
Community Empowerment – Charles Lomax, Jr., Director
Engineering – Steve King, Acting Director
Finance & Accountability – Boyce Evans, Interim CFO
Fire – Stan Sharp, Chief
Fleet – Keith Shields, Director
Information Systems – Mark Parker, Acting 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, Director

FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee, as of June 30, 2020, 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 22, 2020, 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 22, 2020

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, 2020.

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 \$698,946,598 (*net position*). Of this amount, \$254,557,386 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$22,615,970 a change of 3.34% when compared to FY2019. This gain stems from effective budgetary controls and involvement of all employees in controlling costs.
- As of the close of the fiscal year, the city's governmental funds reported combined ending fund balances of \$249,267,231, a decrease of \$9,407,180 from the prior year. Of this total, \$229,215,060 or 91.96% is either non-spendable, restricted, committed, or assigned. The remaining balance of \$20,052,171 is available for other uses.
- The ending Fund Balance in the City's General Fund increased by \$1,741,143 or 2% over the prior year. For FY2020, \$18,156,036 was appropriated from unassigned fund balance to augment General Fund revenues to balance the planned budget expenditures. Overall tax collections came in much higher than anticipated by \$2,028,201, and augmented by efficient use of resources, contributed significantly to reducing the amount of unassigned fund balance needed to support expenditures. Consistent with Governmental Accounting Standards Board (GASB) standards for fund balances, a total of \$366,461 is considered non-spendable and \$68,207,160 is assigned or committed. The remaining balance of \$20,052,171 is available for spending at the City's discretion.
- The City's total debt for the primary government decreased by \$12,515,000 from \$155,595,000 to \$143,080,000 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

Governmental Activities
Business-Type Activities

Component Units

Knoxville Utilities Board
Metropolitan Knoxville Airport Authority
Knoxville Area Transit

STATEMENT OF NET POSITION

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

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

Fund 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, uses 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	City Inspections
Development Funds	City Court
	Miscellaneous Grants
	Animal Control
	Miscellaneous Special Revenue Funds
	Storm Water
	Solid Waste
	Knoxville Civic Revitalization
Permanent Fund	
Krutch Park Trust	

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

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

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

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

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

Proprietary Funds

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

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

Business-Type Activities

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

Governmental Activities/Internal Service Funds

Fleet Maintenance
Risk Management
Health Insurance
Equipment Replacement
City Buildings

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

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

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

Fiduciary and Component Unit Statements

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City of Knoxville programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Combined 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 position based on their availability for use in operations.

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

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

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

Statement of Net Position at June 30, 2020

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	
	2020	2019	2020	2019	2020	2019
Assets						
Cash and investments	\$ 386,046	\$ 402,227	\$ 69,374	\$ 60,428	\$ 455,420	\$ 462,655
Other assets	186,490	175,699	4,831	11,913	191,321	187,612
Capital assets	423,843	404,103	151,394	149,672	575,237	553,775
Total assets	996,379	982,029	225,599	222,013	1,221,978	1,204,042
Deferred Outflows	65,000	68,856	-	93	65,000	68,949
Liabilities						
Other liabilities	25,396	28,292	3,060	3,776	28,456	32,068
Noncurrent liabilities	315,583	313,119	89,469	95,534	405,052	408,653
Total liabilities	340,979	341,411	92,529	99,310	433,508	440,721
Deferred Inflows	153,994	155,146	529	793	154,523	155,939
Net position						
Net investment in capital assets	369,210	342,292	61,933	54,237	431,143	396,529
Restricted	13,246	12,630			13,246	12,630
Unrestricted	183,950	199,406	70,608	67,766	254,558	267,172
Total net position	\$ 566,406	\$ 554,328	\$ 132,541	\$ 122,003	\$ 698,947	\$ 676,331

Governmental Activities

Assets have increased by 1.46% and liabilities have decreased by 0.16% when compared to FY2019 levels. The increase in assets is due primarily to favorable financial operations increasing available cash and investments. Noncurrent liabilities increased by \$1.503 million due to increase in the net pension liability, net of the normal retirement of outstanding debt and routine operations. The net pension liability increased by \$8.34 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 2.18%.

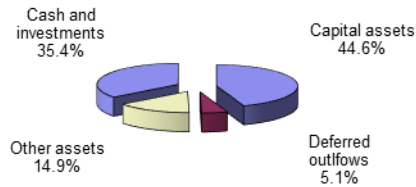
Business-Type Activities

Assets and liabilities changed by 1.62% and (6.83%) respectively from FY2019 levels. The remaining interest rate swap liability of \$93,025 was eliminated when the related swap was unwound during FY2020. 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 an 8.64% increase in net position.

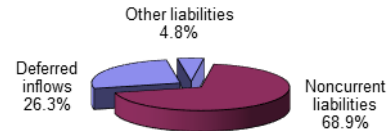
Total Primary Government

The City's capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure, and construction in progress account for 44.6% of \$1,287,021,486 in total assets and deferred outflows. Taxes and governmental receivables constitute 14.9%. Current liquidity comprised of cash and investments represents 35.4% and deferred outflows representing pension and other post employment benefits account for 5.1%.

**Primary Government
Assets & Deferred Outflows**



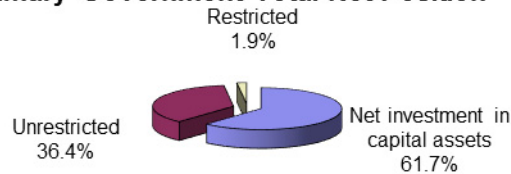
**Primary Government Liabilities &
Deferred Inflows**



Of the total government liabilities, 68.9% are in non-current liabilities. Of the total long-term debt, approximately \$88.793 million, or 62.05% is related to debt issued to finance the Convention Center.

A portion of the City's total net position is restricted for specific purposes. These restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are system development charges, bond proceeds, taxes and other collections limited to repayment of debt. The unrestricted net assets of the City's primary governmental activities represent 36.4% of total primary government net position.

Primary Government Total Net Position



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

A summary version of the Statement of Activities follows:

Condensed Financial Information Primary Government Statement of Activities For Fiscal Years Ending June 30 (In \$1,000's)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 10,442	\$ 12,184	\$ 12,488	\$ 14,630	\$ 22,930	\$ 26,814
Operating grants & contributions	5,915	5,754	1,500	1,500	7,415	7,254
Capital grants & contributions	8,406	7,852	-	-	8,406	7,852
General revenues:						
Taxes	252,185	246,765	23,787	15,283	275,972	262,048
Interest	6,987	9,923	985	1,407	7,972	11,330
Other	6,396	3,990	329	663	6,725	4,653
Total revenues	290,331	286,468	39,089	33,483	329,420	319,951
Expenses:						
General government	56,493	47,664	-	-	56,493	47,664
Public safety	109,806	98,472	-	-	109,806	98,472
Physical Environment	55,246	53,907	-	-	55,246	53,907
Transportation	11,081	14,135	-	-	11,081	14,135
Economic development	14,444	12,951	-	-	14,444	12,951
Parks and recreation	12,979	11,799	-	-	12,979	11,799
Health & Sanitation	9,964	9,544	-	-	9,964	9,544
Interest on long-term debt	1,854	2,168	-	-	1,854	2,168
Other	-	-	34,937	27,302	34,937	27,302
Total expenses	271,867	250,640	34,937	27,302	306,804	277,942
Increase (decrease) in net position before transfers	18,464	35,828	4,152	6,181	22,616	42,009
Transfers	(6,386)	(8,284)	6,386	8,284	-	-
Changes in net position	12,078	27,544	10,538	14,465	22,616	42,009
Beginning net position	554,328	526,784	122,003	107,538	676,331	634,322
Ending net position	\$ 566,406	\$ 554,328	\$ 132,541	\$ 122,003	\$ 698,947	\$ 676,331

Reflected in the Government-Wide Statement of Activities for the fiscal year ending June 30, 2020, 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 collections increased by \$1.95 million; state shared sales tax and local option sales tax grew by a modest 2.7%. The volatile state income tax on investment earnings failed to meet budget by \$1.67 million representing a decrease of \$1.2 million when compared to FY2019. This state income tax on investments is being phased out and will be eliminated in FY2022.

Surplus Debt Service fund revenues are generally utilized for one-time expenditures, capital projects or to retire debt. Excess City Court revenues are transferred to the General Fund to finance general operations.

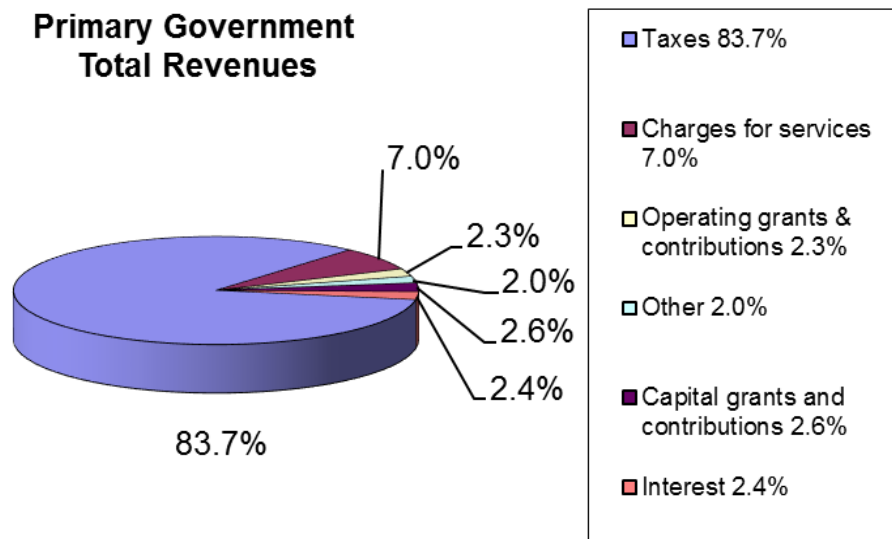
Overall governmental funds expenditures decreased \$2.85 million primarily due to reductions in capital project expenditures which were offset by increases in general fund expenditures mainly due to increased salary costs and expenditures related to Covid-19. Public safety operations (police, fire, emergency management and codes enforcement) accounted for 35.8% of the City's total governmental operations of \$287 million. Changes in the Miscellaneous Community Development funds were from Federal grants and program income not covering the full amounts of local subsidies paid to nonprofit agencies for housing, homelessness and Covid-19 support. All other City of Knoxville operations are financed by either local or state taxes, grants, or various shared revenues.

Business-type Activities

The City's business-type activities include metro parking, public assembly facilities and the municipal golf courses. The City also operates the Knoxville Convention Center 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 make the Knoxville area an ideal tourist destination. With this in mind, local government leaders deemed it necessary to build a new convention center to take advantage of Knoxville's unique geographic location. Current operating expenses exceed operating revenues for these activities which is due to the effects of Covid-19 and the nature of the business being public service as opposed to revenue generating activities. However, the local economy benefits greatly by the impact of lodging, restaurant, and various recreational consumer spending. To assist with repayment of the debt associated with the Convention Center, a dedicated Hotel/Motel tax is pledged and used. Additional redevelopment efforts in the city's downtown area are expected to increase the cost effectiveness of the city's infrastructure investments.

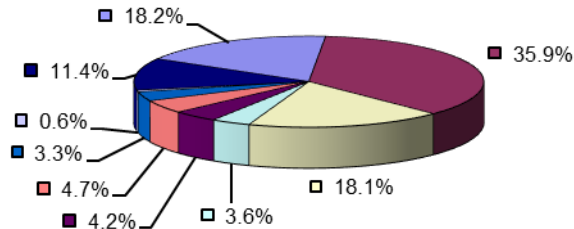
Total Government

Primary Government Revenues were \$329.420 million. The largest portion of these revenues (\$275.972 million – 83.7%) was from taxes.



Primary government expenses totaled \$306.80 million, 35.9% of which was directed toward public safety.

Primary Government Total Expenses



General government	18.2%
Public safety	35.9%
Physical Environment	18.1%
Transportation	3.6%
Parks and recreation	4.2%
Economic development	4.7%
Health & Sanitation	3.3%
Interest on long-term debt	0.6%
Other	11.4%

Component Units

Certain organizations affiliated with the City are reported as component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The nature and significance of component units are such that exclusion would cause the 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Program Revenues	\$ 804,168	\$ 816,493	\$ 64,221	\$ 66,180	\$ 27,593	\$ 18,787	\$ 895,982	\$ 901,460
Program Expenses	(730,659)	(758,347)	(34,106)	(35,281)	(34,800)	(32,563)	(799,565)	(826,191)
Total General Revenues	4,492	7,193	7,770	6,952	7,810	10,437	20,072	24,582
Change in Net Position	78,001	65,339	37,885	37,851	603	(3,339)	116,489	99,851
Net Position at Year End	\$ 1,210,119	\$ 1,132,118	\$ 282,010	\$ 244,125	\$ 47,004	\$ 46,401	\$ 1,539,133	\$ 1,422,644

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2020

The total Governmental Funds balance as of June 30, 2020 is \$249.267 million of which the general fund's balance is approximately \$88.626 million, the debt service fund is \$57.229 million, capital projects funds comprise \$81.80 million, miscellaneous community development funds total \$1.192 million and the remaining \$20.419 million is distributed among the various special revenue and permanent funds. In the aggregate, the governmental funds fund balances decreased by \$9.407 million (3.6%) when compared to the prior year. The change was predominantly in the capital projects fund (down by 16.4%) 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, 2020

The following schedule presents a summary of total governmental funds, which includes general fund, debt service fund, capital projects fund, miscellaneous community development funds and other governmental funds for the fiscal year ended June 30, 2020, 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	2020	2019	Percent of Total 2020	Change from Prior Year	
				Increase (Decrease)	Percent Change
Taxes, assessments, interest & penalties	\$ 225,188	\$ 223,517	78.63%	\$ 1,671	0.75%
Licenses, permits and inspection charges	3,297	3,331	1.15%	(34)	(1.02%)
Intergovernmental revenue	37,367	34,889	13.05%	2,478	7.10%
Charges for services	4,908	5,548	1.71%	(640)	(11.54%)
Fines and forfeitures	3,056	4,156	1.07%	(1,100)	(26.47%)
Other	12,565	12,875	4.39%	(310)	(2.41%)
Totals	<u>\$ 286,381</u>	<u>\$ 284,316</u>	<u>100.00%</u>	<u>\$ 2,065</u>	<u>0.73%</u>

A comparison of revenues between FY2019 and FY2020 shows total general government revenues were up by approximately \$2.064 million or 0.73%. Taxes, assessments, interest & penalties showed the largest real growth, increasing 0.75%, which signifies increased new construction and increased sales taxes resulting from increased taxable sales. Intergovernmental revenue also increased by 7.10% reflecting increased grant funding being earned and awarded, a portion related to increased federal and state of Tennessee programs for Covid-19 economy support efforts. Charges for Services and Fines and forfeitures are down a combined 17.94% primarily due to decreased collections by the City Court for various traffic related matters. The Hall income tax, currently 2 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, 2020, 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	2020	2019	Percent of Total 2020	Change from Prior Year	
				Increase (Decrease)	Percent Change
Administration	\$ 5,024	\$ 4,759	1.75%	\$ 265	5.57%
Finance	4,283	4,075	1.49%	208	5.10%
Information Systems	3,992	3,838	1.39%	154	4.01%
Community Development	9,918	8,623	3.46%	1,295	15.02%
South Knoxville Waterfront	357	235	0.12%	122	51.91%
Parks & Recreation	7,712	7,963	2.69%	(251)	(3.15%)
Mass Transit	9,312	13,228	3.25%	(3,916)	(29.60%)
Engineering	13,152	14,834	4.58%	(1,682)	(11.34%)
Public Services	37,099	36,042	12.93%	1,057	2.93%
Law	2,929	2,903	1.02%	26	0.90%
Police	59,496	57,519	20.73%	1,977	3.44%
Emergency Management	443	409	0.15%	34	8.31%
Fire	42,084	41,459	14.67%	625	1.51%
Codes Enforcement	737	827	0.26%	(90)	(10.88%)
Legislative	998	1,005	0.35%	(7)	(0.70%)
City Elections	415	-	0.14%	415	-
Civil Service	1,180	1,128	0.41%	52	4.61%
Knoxville Partnership	641	641	0.22%	-	0.00%
Metropolitan Planning Commission	1,212	1,172	0.42%	40	3.41%
Knoxville Zoological Park	2,114	1,363	0.74%	751	55.10%
Community Agency Grants	2,900	1,623	1.01%	1,277	78.68%
Community Action Committee	1,069	907	0.37%	162	17.86%
Tax Increment Payments	2,790	2,334	0.97%	456	19.54%
Other General Government	20,403	19,780	7.11%	623	3.15%
Capital and Grant Projects	48,307	54,810	16.83%	(6,503)	(11.86%)
Debt service:					
Principal retirement	6,506	6,237	2.27%	269	4.31%
Interest on bonds and notes	1,883	2,092	0.66%	(209)	(9.99%)
Total Expenditures	<u>\$ 286,956</u>	<u>\$ 289,806</u>	<u>100.00%</u>	<u>\$ (2,850)</u>	<u>(0.98%)</u>

Overall, general government expenditures in FY2020 decreased by approximately \$2.85 million. The largest reduction occurred in Mass Transit as a result of Covid-19 funding provided to Knoxville Area Transit (KAT) allowing the city to reduce its contribution to KAT by \$3.9 million. Community Development expenditures increased by approximately \$1.3 million primarily related to increased funding for local community service organizations needs for Covid-19 efforts. Public Safety (Police, Fire, Emergency Management and Codes Enforcement) increased by a total of \$2.55 million due primarily to increased personnel costs and other one-time costs. Capital Project expenditures decreased by \$6.5 million as a result of many projects being completed and lower costs for planning new projects.

Proprietary Funds Statements

Statement of Net Position at June 30, 2020

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

Statement of Revenues, Expenditures and Changes in Fund Net Position for the Year Ended June 30, 2020

A summary of the revenues, expenses, and transfers indicates that there is an increase in total proprietary fund net position, including internal service funds, of \$10.537 million after transfers.

Statement of Cash Flows for the Year Ended June 30, 2020

The four main business type activities of the City are the Convention Center, Metro Parking, Public Assembly Facilities and the Municipal Golf Courses. As expected, overall operations experienced a net operating loss which was unnaturally increased by the shutdowns due to Covid-19 restrictions. Excluding Covid-19 issues, while the Convention Center operated at a loss, the amount of the loss has continued to decline over the years. Downtown activities were essentially halted for a four month period of the fiscal year due to Covid-19 causing the Metro Parking Fund (parking garages) to finish the fiscal year with a flat cash flow, but operated at a loss after depreciation. Public Assembly Facilities had a \$881,400 positive cash flow due to transfers. At the end of FY2016, operating control of Public Assembly Facilities (Chilhowee Park and the Civic Auditorium and Coliseum) was turned over to a private management company to streamline and improve operations. The city's two golf courses continued to have a small operating loss which was partially covered with subsidies from the General Fund. The following table shows revenues, expenses, net interfund transfers, net income and net position at fiscal year-end for the various proprietary funds.

Condensed Financial Information Proprietary Funds For Fiscal Years Ending June 30 (In \$1,000's)						
Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2020	2019	2020	2019	2020	2019
I. Business-type Activities						
A. Knoxville Convention Center	\$ 24,297	\$ 23,586	\$ 19,402	\$ 18,482	\$ 3,529	\$ 3,126
B. Other (Non-major enterprise funds)						
1. Metro Parking	4,052	4,553	5,231	4,087	-	1,600
2. Public Assembly Facilities	3,108	4,384	9,060	3,351	2,607	3,281
3. Municipal Golf Courses	1,122	961	1,244	1,382	250	276
Total Business-type Activities	<u>32,579</u>	<u>33,484</u>	<u>34,937</u>	<u>27,302</u>	<u>6,386</u>	<u>8,283</u>
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	18,192	18,649	14,617	14,145	839	509
2. Risk Management	7,767	7,598	7,033	6,838	-	-
3. Health Insurance	20,561	21,067	20,965	20,040	627	-
4. Equipment Replacement	3,235	3,353	3,109	2,691	980	1,701
5. City Buildings	2,525	2,301	2,381	2,319	-	(511)
Total Government-Wide Activities	<u>52,280</u>	<u>52,968</u>	<u>48,105</u>	<u>46,033</u>	<u>2,446</u>	<u>1,699</u>
Totals	<u>\$ 84,859</u>	<u>\$ 86,452</u>	<u>\$ 83,042</u>	<u>\$ 73,335</u>	<u>\$ 8,832</u>	<u>\$ 9,982</u>

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	
	2020	2019	2020	2019	2020	2019
I. Business-type Activities						
A. Knoxville Convention Center	\$ -	\$ -	\$ 8,424	\$ 8,230	\$ 78,110	\$ 69,686
B. Other (Non-major enterprise funds)						
1. Metro Parking	825	-	(354)	2,066	30,247	30,601
2. Public Assembly Facilities	5,685	-	2,340	4,314	22,484	20,144
3. Municipal Golf Courses	-	-	128	(145)	1,700	1,572
Total Business-type Activities	6,510	-	10,538	14,465	132,541	122,003
II. Government-Wide Activities						
A. Internal Service Funds						
1. Fleet Maintenance	236	-	4,650	5,013	83,306	78,656
2. Risk Management	-	-	734	760	18,490	17,756
3. Health Insurance	-	-	223	1,027	21,575	21,352
4. Equipment Replacement	953	359	2,059	2,722	34,116	32,057
5. City Buildings	-	-	144	(529)	2,671	2,527
Total Government-Wide Activities	1,189	359	7,810	8,993	160,158	152,348
Totals	\$ 7,699	\$ 359	\$ 18,348	\$ 23,458	\$ 292,699	\$ 274,351

Fiduciary Funds Statements

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

Condensed Financial Information
Pension Trust Fund Contribution Rates

	FY2020 Contribution Rates	FY2019 Contribution Rates	Estimated FY2021 Contribution Rates
General Government Employees (Closed)	7.27%	7.22%	7.27%
General Government Employees (Open)	8.01%	8.69%	8.85%
Uniformed Employees (Closed)	17.71%	17.80%	17.52%
Uniformed Employees (Open)	12.89%	13.75%	12.86%

The City's Pension Fund is being funded as required by the actuary and is currently funded at 74.05%. 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 FY20 this amount was \$20,020,420 and is estimated at \$19,631,000 in FY21. The plan is to be fully funded in 17 years. For comparison purposes, if everything were expressed as a percentage of payroll for the closed plans, it would be 28.44% in FY20 and 29.91% in FY21 for General Government employees, and 55.37% and 57.72%, 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 as the contributions listed above for the open plans are based on the percentage of payroll and average approximately 8.5% for general government and 13.1% for uniformed employees.

General Fund Budgetary Highlights

During the year there was \$7,047,003 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, 2020

Department	Carry Forward of Prior Year Encumbrances	Other	Total Changes
Administration	\$ 4,464	\$ (37,970)	\$ (33,506)
Finance	-	50,000	50,000
Information Systems	1,600	-	1,600
Community Development	83,007	95,000	178,007
Engineering	99,196	90,440	189,636
Parks and Recreation	8,286	-	8,286
Law	29,551	-	29,551
Police	36,160	601,000	637,160
Fire	69	889,860	889,929
Civil Service	-	103,000	103,000
City Elections	-	90,430	90,430
Knoxville Zoo	-	700,000	700,000
Agency Grants	-	284,360	284,360
Other Non-Departmental	-	700,000	700,000
Community Action Committee (CAC)	-	100,000	100,000
Transfers	-	3,118,550	3,118,550
Total General Fund	<u>\$ 262,333</u>	<u>\$ 6,784,670</u>	<u>\$ 7,047,003</u>

Approximately 3.72% of the changes in budget amendments is due to the reappropriation of prior year encumbrances, (\$262,333) and are reflected in multiple city departments. The Police Department budget increased by \$375,000 for contractually required HVAC improvements to the Young Williams Animal Shelter. This represents 50% of the cost, with Knox County paying an equal share. Transfers for Affordable Housing accounts for 87% (\$2,725,110) of the increase in General Fund Transfers (\$3,118,550). COVID-19 related expenses represent \$2,012,500 of the change. These appropriations are reflected in Police, Fire, Knoxville Zoo, Agency Grants and Other Non-Departmental expenditures.

Capital Asset and Debt Administration

As of June 30, 2020, the primary government had net investment of \$575.2 million in capital assets. Buildings and improvements increased by \$12.96 million. \$9.2 million of this increase is due to the completion of the Knoxville Civic Coliseum and Auditorium project replacing plumbing, electrical, the ice floor, and various other items in the building. Equipment, furniture & fixtures increased by \$9.45 million. The LED Streetlight Conversion accounts for \$1.4 million of this increase, while \$1.2 million was for the Fire Alerting System and \$1.1 million for mobile computers. The City also has an equipment replacement fund to systematically replace equipment becoming outdated or non-performing equipment. Infrastructure increased by \$21.86 million resulting from infrastructure projects completed in FY2020 (Cumberland Avenue Traffic Signals (\$1.5 million), Paving Program (\$5.4 million), new sidewalks or improvements (\$1.8 million), and Magnolia Avenue Streetscapes (\$4.4 million). The City has many other ongoing maintenance programs, such as bridge maintenance and drainage improvements to help preserve the City's infrastructure. Construction in progress increased slightly by \$4.2 million. The majority of this increase is due to the construction phase beginning for the Jackson Avenue ramp replacement. 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	
	2020	2019	2020	2019	2020	2019
Land and site improvements	\$ 84,505	\$ 84,438	\$ 7,686	\$ 7,336	\$ 92,191	\$ 91,774
Buildings and improvements	79,844	77,479	231,459	220,863	311,303	298,342
Equipment, furniture & fixtures	127,485	119,179	10,859	9,716	138,344	128,895
Infrastructure	480,690	459,286	31,396	30,941	512,086	490,227
Construction in progress	18,546	10,281	845	4,888	19,391	15,169
Less accumulated depreciation	(367,227)	(346,560)	(130,851)	(124,072)	(498,078)	(470,632)
Totals	<u>\$ 423,843</u>	<u>\$ 404,103</u>	<u>\$ 151,394</u>	<u>\$ 149,672</u>	<u>\$ 575,237</u>	<u>\$ 553,775</u>

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Beginning balance	\$ 750,663	\$ 703,765	\$ 273,744	\$ 256,766	\$ 1,024,407	\$ 960,531
Additions	52,176	60,797	13,101	19,896	65,277	80,693
Deletions	(11,769)	(13,899)	(4,599)	(2,918)	(16,368)	(16,817)
Balance before depreciation	791,070	750,663	282,246	273,744	1,073,316	1,024,407
Accumulated depreciation	(367,227)	(346,560)	(130,852)	(124,072)	(498,079)	(470,632)
Balance after depreciation	<u>\$ 423,843</u>	<u>\$ 404,103</u>	<u>\$ 151,394</u>	<u>\$ 149,672</u>	<u>\$ 575,237</u>	<u>\$ 553,775</u>

As of the year-end, the City's Total Primary Government had \$143.1 million in general obligation and note debt outstanding.

Outstanding Debt at Year - End
(In \$1,000's)

	Governmental Activities		Business-Type Activities		Total Primary Government		
	2020	2019	2020	2019	2020	2019	Inc / (Dec.)
Current - Due in 1 year:							
General Obligation Bonds	5,813	\$ 6,506	5,632	\$ 5,839	\$ 11,445	\$ 12,345	\$ (900)
Non Current - Due in more than 1 year:							
General Obligation Bonds	45,743	51,556	83,162	88,793	128,905	140,349	(11,444)
Section 108 Loan	2,730	2,900	-	-	2,730	2,900	(170)
Total Non Current	48,473	54,456	83,162	88,793	131,635	143,249	(11,614)
Subtotal	54,286	60,962	88,794	94,632	143,080	155,594	(12,514)
Unamortized Premiums, Discounts and Gain on Refunding	3,076	3,749	667	803	3,743	4,552	(809)
Total Long Term Debt	<u>\$ 57,362</u>	<u>\$ 64,711</u>	<u>\$ 89,461</u>	<u>\$ 95,435</u>	<u>\$ 146,823</u>	<u>\$ 160,146</u>	<u>\$ (13,323)</u>

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

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

	2020	2019
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AA+	AA+
Fitch Ratings	AAA	AAA

Economic Factors

FY2020 was severely impacted by Covid-19 from March to the end of the fiscal year and this situation continues in various and diverse ways. The General Fund was minimally impacted due to Federal and State virus relief efforts and Sales tax revenues, cost cutting measures (hiring freezes and limitations on overtime) and elimination of various summer programs necessitated by the need for social distancing. Savings were also realized by various venues remaining dark and in contracted areas that used employee furlough measures as necessary. While the effects from Covid-19 are expected to continue into the foreseeable future, we are cautiously optimistic that City operations will generally not be unduly impacted and the City will continue to utilize its resources for the betterment of the community.

As with most local governments, the largest source of revenue for the City of Knoxville is taxes. This revenue category represents \$195 million or 86.14% 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 FY2020 the taxable value of real property increased by 2.94% and the overall tax roll increased by 2.07%. Under Tennessee law, cities are not able to benefit from reappraisals and must adopt a "certified tax rate" which eliminates this impact. Going forward we forecast slight growth in this source. We expect limited to no growth in the valuation of Public Utility property. Historically, the city has collected an average of 95.5% 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.

The trend in personal property has been more volatile but has trended upward in the recent past.

Local option sales tax revenues represent approximately \$43.530 million or 19.2% of total General Fund revenues. This source tends to be somewhat more elastic than other taxes and is more cyclical in nature. Growth for FY2020 increased by 2.18% (\$930,565) when compared to FY2019. 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 \$26.4 million or 11.64% of total revenue. When compared to FY2019 this represents an increase of approximately \$1.17 million or 4.6%. The majority of the change in this category was due to the decrease in receipts from the Hall Income Tax - \$1.2 million (an intangible tax on investments) which was primarily offset by increased other tax collections (\$1.48 million). Historically the Hall Income Tax has been an extremely volatile revenue. To offset this volatility the revenue is budgeted very conservatively. Due to a change in the state law, the Hall Income tax is being phased out, with annual 20% reductions which began in FY2017 and will be phased out completely in FY2021.

Other revenue sources include fines and forfeitures and miscellaneous revenue items remain constant. As expected due the effects of Covid-19, Charges for Services is down by \$475 thousand.

In summary, the revenue picture is relatively good in most areas but bear watching in other areas. Revenues are expected to maintain modest levels. On the expenditure side, costs are being contained and various facilities and programs are being cancelled or closed to maintain social distancing. The largest concerns on this side of the ledger are salary, benefit, and pension costs.

Fund balance grew due to the federal and state Covid-19 support, effective management of expenditures and conservative forecasting of revenues. As discussed earlier, projections are conservative in regards to the Hall Income Tax due to the volatile nature of this revenue.

The largest expected increase in costs is associated with pension expenditures. The City has a defined benefit system for all employees under varying plans since 1929. In 2012, the Citizens approved the latest tier for employees hired after January 1, 2013. The new plan (Plan H) is a hybrid plan and is expected to reduce future costs while still providing a lifetime monthly benefit to the employees. However, the legacy plans in place are currently underfunded. The Actuarially Determined Contributions (ADC) includes an amortization of the unfunded liability which is being amortized over a closed 30 year period and currently has 17 years remaining as of July 1, 2020. For the next few years, the amortization of the unfunded liability will cause the contributions to increase before leveling off.

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

Furthermore, except for the Covid-19 pandemic, the performance of the Convention Center has improved over the past several years, lowering the expected operating loss on the facility. The downtown area 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 visitors into the downtown area from the surrounding areas. The area normally bustles with many entertainment offerings.

As part of its efforts to proactively address potential challenges, the City does long-term budget forecasting. This allows us to recognize potential opportunities and respond to them 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 potential opportunities to contain future expenditure increases.

FINANCIAL CONTACT

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

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CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Assets					
Cash and cash equivalents	\$ 12,562,220	\$ 6,512,902	\$ 19,075,122	\$ 146,996,871	\$ 166,071,993
Investments	373,483,955	62,860,729	436,344,684	134,238,704	570,583,388
Receivables (net of allowance for uncollectibles):					
Accounts	9,685,406	2,036,985	11,722,391	101,327,148	113,049,539
Taxes	154,108,915	-	154,108,915	-	154,108,915
Notes and leases	16,163,946	-	16,163,946	-	16,163,946
TVA conservation program	-	-	-	1,933,798	1,933,798
Other	-	12,093	12,093	1,316,148	1,328,241
Internal balances	(2,325,200)	2,325,200	-	-	-
Due from fiduciary fund	-	-	-	-	-
Due from component units	5,275,200	-	5,275,200	-	5,275,200
Inventories	2,194,324	106,506	2,300,830	16,790,728	19,091,558
Prepaid items	3,000	72,559	75,559	8,665,637	8,741,196
Equity interest in joint venture	1,384,621	277,844	1,662,465	-	1,662,465
Deferred charges	-	-	-	588,653	588,653
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	39,121,902	39,121,902
Receivables	-	-	-	440,060	440,060
Other	-	-	-	1,514	1,514
Net pension asset	-	-	-	19,121,375	19,121,375
Other assets	-	-	-	15,687,072	15,687,072
Capital assets:					
Land and site improvements	84,504,579	7,686,303	92,190,882	164,105,195	256,296,077
Buildings and improvements	79,844,021	231,458,661	311,302,682	206,398,457	517,701,139
Utility plant in service	-	-	-	2,834,424,004	2,834,424,004
Equipment, furniture and fixtures	127,485,473	10,859,129	138,344,602	64,789,461	203,134,063
Infrastructure and site improvements	480,690,059	31,396,018	512,086,077	557,914	512,643,991
Construction in progress	18,545,533	845,456	19,390,989	373,887,136	393,278,125
Less accumulated depreciation	(367,226,672)	(130,851,804)	(498,078,476)	(1,213,225,540)	(1,711,304,016)
Total assets	<u>996,379,380</u>	<u>225,598,581</u>	<u>1,221,977,961</u>	<u>2,917,166,237</u>	<u>4,139,144,198</u>
Deferred outflows of resources					
Pensions	61,484,492	-	61,484,492	8,123,085	69,607,577
Other postemployment benefits	3,515,033	-	3,515,033	4,178,710	7,693,743
Unamortized bond refunding	-	-	-	21,851,443	21,851,443
Total deferred outflows of resources	<u>64,999,525</u>	<u>-</u>	<u>64,999,525</u>	<u>34,153,238</u>	<u>99,152,763</u>
Liabilities					
Accounts payable	18,048,664	1,530,363	19,579,027	79,507,621	99,086,648
Matured principal and interest on bonds	-	-	-	13,807,353	13,807,353
Accrued liabilities	5,877,458	944,736	6,822,194	23,453,731	30,275,925
Due to primary government	-	-	-	5,275,200	5,275,200
Due to fiduciary funds	16,675	-	16,675	-	16,675
Due to other governmental agencies	355,073	-	355,073	-	355,073
Customer deposits, plus accrued interest	785,981	183,694	969,675	21,690,456	22,660,131
Accrued interest	311,963	181,420	493,383	93,999	587,382
Unearned revenue	-	220,128	220,128	-	220,128
Noncurrent liabilities due within one year:					
Long-term debt due within one year	6,592,635	5,767,497	12,360,132	43,125,000	55,485,132
Other noncurrent liabilities due within one year	12,040,971	7,974	12,048,945	40,419,199	52,468,144
Noncurrent liabilities due in more than one year:					
Long-term debt due in more than one year	50,769,750	83,693,717	134,463,467	1,131,310,000	1,265,773,467
Other noncurrent liabilities due in more than one year	18,048,847	-	18,048,847	24,075,148	42,123,995
Net pension liability	212,393,379	-	212,393,379	20,236	212,413,615
Other postemployment benefits liability	15,737,674	-	15,737,674	7,589,447	23,327,121
Total liabilities	<u>340,979,070</u>	<u>92,529,529</u>	<u>433,508,599</u>	<u>1,390,367,390</u>	<u>1,823,875,989</u>
Deferred inflows of resources					
Pensions	4,370,100	528,767	4,898,867	20,568,586	25,467,453
Other postemployment benefits	182,495	-	182,495	-	182,495
Deferred revenue	14,325,976	-	14,325,976	-	14,325,976
Assessed and unlevied property taxes	135,114,951	-	135,114,951	1,250,692	136,365,643
Total deferred inflows of resources	<u>153,993,522</u>	<u>528,767</u>	<u>154,522,289</u>	<u>21,819,278</u>	<u>176,341,567</u>
Net position					
Net investment in capital assets	369,210,608	61,932,549	431,143,157	1,239,880,341	1,671,023,498
Restricted for:					
Debt service	-	-	-	22,184,203	22,184,203
Park maintenance:					
Nonexpendable	624,065	-	624,065	-	624,065
Expendable	311,758	-	311,758	-	311,758
Other	12,310,232	-	12,310,232	3,571,920	15,882,152
Unrestricted	183,949,650	70,607,736	254,557,386	273,496,343	528,053,729
Total net position	<u>\$ 566,406,313</u>	<u>\$ 132,540,285</u>	<u>\$ 698,946,598</u>	<u>\$ 1,539,132,807</u>	<u>\$ 2,238,079,405</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General Government	\$ 56,492,961	\$ 975,326	\$ 788,605	\$ -
Public Safety	109,805,865	6,196,571	1,255,217	597,864
Physical Environment	55,245,965	2,304,275	96,310	2,410,925
Transportation	11,080,700	347,334	24,000	-
Economic Development	14,443,775	99,280	3,751,295	5,338,221
Parks & Recreation	12,979,232	472,133	-	-
Health & Sanitation	9,964,337	46,618	-	58,963
Interest on long-term debt	1,853,791	-	-	-
Total governmental activities	<u>271,866,626</u>	<u>10,441,537</u>	<u>5,915,427</u>	<u>8,405,973</u>
Business-type activities:				
Metro Parking	4,591,764	3,945,163	-	-
Public Assembly Facilities	3,439,086	2,787,566	-	-
Knoxville Convention Center	19,401,900	4,645,175	1,500,000	-
Municipal Golf Courses	1,244,362	1,109,598	-	-
Total business-type activities	<u>28,677,112</u>	<u>12,487,502</u>	<u>1,500,000</u>	<u>-</u>
Total primary government	<u>\$ 300,543,738</u>	<u>\$ 22,929,039</u>	<u>\$ 7,415,427</u>	<u>\$ 8,405,973</u>
Combined discretely presented component units	<u>\$ 799,565,210</u>	<u>\$ 844,313,515</u>	<u>\$ 4,362,480</u>	<u>\$ 47,306,580</u>

General revenues:

Property taxes
Intergovernmental revenue, unrestricted
Admissions tax
Hotel/motel tax
Excise tax
Alcoholic beverage tax
Business tax
Cable television franchise tax
Other unrestricted revenue
Unrestricted investment earnings
Gain on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Combined	Total	
Governmental Activities	Business-type Activities	Total	Discretely Presented Component Units	Reporting Unit	
\$ (54,729,030)	\$ -	\$ (54,729,030)	\$ -	\$ (54,729,030)	
(101,756,213)	-	(101,756,213)	-	(101,756,213)	
(50,434,455)	-	(50,434,455)	-	(50,434,455)	
(10,709,366)	-	(10,709,366)	-	(10,709,366)	
(5,254,979)	-	(5,254,979)	-	(5,254,979)	
(12,507,099)	-	(12,507,099)	-	(12,507,099)	
(9,858,756)	-	(9,858,756)	-	(9,858,756)	
(1,853,791)	-	(1,853,791)	-	(1,853,791)	
(247,103,689)	-	(247,103,689)	-	(247,103,689)	
-	(646,601)	(646,601)	-	(646,601)	
-	(651,520)	(651,520)	-	(651,520)	
-	(13,256,725)	(13,256,725)	-	(13,256,725)	
-	(134,764)	(134,764)	-	(134,764)	
-	(14,689,610)	(14,689,610)	-	(14,689,610)	
(247,103,689)	(14,689,610)	(261,793,299)	-	(261,793,299)	
-	-	-	96,417,365	96,417,365	
153,502,927	-	153,502,927	-	153,502,927	
73,256,759	11,425,092	84,681,851	8,587,940	93,269,791	
-	1,860,188	1,860,188	-	1,860,188	
141,504	4,241,055	4,382,559	-	4,382,559	
2,061,134	-	2,061,134	-	2,061,134	
13,616,586	-	13,616,586	-	13,616,586	
7,777,708	-	7,777,708	-	7,777,708	
1,828,615	-	1,828,615	-	1,828,615	
3,625,218	329,284	3,954,502	5,341,817	9,296,319	
6,986,896	985,193	7,972,089	6,141,901	14,113,990	
2,771,110	-	2,771,110	-	2,771,110	
(6,386,069)	6,386,069	-	-	-	
259,182,388	25,226,881	284,409,269	20,071,658	304,480,927	
12,078,699	10,537,271	22,615,970	116,489,023	139,104,993	
554,327,614	122,003,014	676,330,628	1,422,643,784	2,098,974,412	
\$ 566,406,313	\$ 132,540,285	\$ 698,946,598	\$ 1,539,132,807	\$ 2,238,079,405	

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

				Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects			
Assets						
Cash and cash equivalents	\$ 198,582	\$ 5,578,997	\$ 502,216	\$ 289,379	\$ 2,416,383	\$ 8,985,557
Investments	66,243,734	50,526,083	96,528,995	972,605	19,223,024	233,494,441
Accounts receivable	996,752	213,436	5,925,851	37,641	2,421,857	9,595,537
Taxes receivable	128,803,963	25,304,952	-	-	-	154,108,915
Notes receivable	2,380,223	-	-	9,587,892	4,195,831	16,163,946
Due from other funds	10,047,261	520,500	6,250,000	1,425,800	50,082	18,293,643
Due from component unit	5,275,200	-	-	-	-	5,275,200
Inventories	363,461	-	6,378	-	500,280	870,119
Prepaid items	3,000	-	-	-	-	3,000
Total assets	<u>\$ 214,312,176</u>	<u>\$ 82,143,968</u>	<u>\$ 109,213,440</u>	<u>\$ 12,313,317</u>	<u>\$ 28,807,457</u>	<u>\$ 446,790,358</u>
Liabilities						
Accounts payable	\$ 3,692,901	-	\$ 8,690,653	\$ 114,861	\$ 2,175,005	\$ 14,673,420
Accrued liabilities	2,660,445	-	2,546,594	6,746	313,965	5,527,750
Customer deposits	-	-	-	-	779,488	779,488
Due to other funds	5,415,200	-	14,350,000	15,800	854,518	20,635,518
Due to other governmental agencies	333,831	2,582	-	-	18,660	355,073
Total liabilities	<u>12,102,377</u>	<u>2,582</u>	<u>25,587,247</u>	<u>137,407</u>	<u>4,141,636</u>	<u>41,971,249</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	113,584,007	24,911,895	-	-	-	138,495,902
Unavailable revenue - other	-	-	1,824,654	10,985,158	4,246,164	17,055,976
Total deferred inflows of resources	<u>113,584,007</u>	<u>24,911,895</u>	<u>1,824,654</u>	<u>10,985,158</u>	<u>4,246,164</u>	<u>155,551,878</u>
Fund Balances						
Non-spendable	366,461	-	6,378	-	1,124,345	1,497,184
Restricted	-	-	-	1,190,752	11,431,238	12,621,990
Committed	47,190,835	57,229,491	81,795,161	-	7,126,944	193,342,431
Assigned	21,016,325	-	-	-	737,130	21,753,455
Unassigned	20,052,171	-	-	-	-	20,052,171
Total fund balances	<u>88,625,792</u>	<u>57,229,491</u>	<u>81,801,539</u>	<u>1,190,752</u>	<u>20,419,657</u>	<u>249,267,231</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 214,312,176</u>	<u>\$ 82,143,968</u>	<u>\$ 109,213,440</u>	<u>\$ 12,313,317</u>	<u>\$ 28,807,457</u>	<u>\$ 446,790,358</u>

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

CITY OF KNOXVILLE, TENNESSEE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

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

Fund balance - governmental funds	\$249,267,231
Capital assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.	382,142,843
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.	6,110,951
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.	160,157,417
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.	(311,963)
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Net pension liability	(207,313,967)
Other postemployment benefits obligation	(15,737,674)
Deferred outflows of resources related to pensions	60,026,729
Deferred outflows of resources related to other postemployment benefits	3,515,033
Deferred inflows of resources related to pensions	(4,265,589)
Deferred inflows of resources related to other postemployment benefits	(182,495)
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	(54,286,100)
Discounts and premiums (net)	(3,076,285)
Compensated absences	(9,639,818)
	<u>(67,002,203)</u>
Net position - governmental activities	<u>\$ 566,406,313</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

				<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Miscellaneous Community Development Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes, assessments, interest & penalties	\$ 195,112,406	\$ 23,718,291	\$ -	\$ -	\$ 6,356,931	\$ 225,187,628
Licenses, permits & inspection charges	319,324	-	-	-	2,978,069	3,297,393
Intergovernmental	26,373,064	-	5,338,221	1,061,209	4,594,633	37,367,127
Charge for services	1,584,586	-	-	382,493	2,940,356	4,907,435
Fines & forfeitures	630,446	-	-	-	2,425,527	3,055,973
Other	2,486,011	4,298,644	4,600,649	98,092	1,081,976	12,565,372
Total revenues	<u>226,505,837</u>	<u>28,016,935</u>	<u>9,938,870</u>	<u>1,541,794</u>	<u>20,377,492</u>	<u>286,380,928</u>
Expenditures:						
Current:						
Administration	5,000,078	-	-	-	24,000	5,024,078
Finance	4,083,040	-	-	-	199,998	4,283,038
Information Systems	3,991,919	-	-	-	-	3,991,919
Community Development	4,948,697	-	-	2,022,426	2,946,381	9,917,504
Waterfront	356,611	-	-	-	-	356,611
Parks & Recreation	7,659,361	-	-	-	52,215	7,711,576
Mass Transit	9,312,060	-	-	-	-	9,312,060
Engineering	6,724,154	-	-	-	6,427,292	13,151,446
Public Services	24,488,320	-	-	-	12,610,650	37,098,970
Law	1,999,526	-	-	-	929,400	2,928,926
Police	56,855,240	-	-	-	2,641,100	59,496,340
Emergency Management	420,418	-	-	-	22,927	443,345
Fire	42,075,895	-	-	-	8,045	42,083,940
Codes enforcement	736,536	-	-	-	-	736,536
Legislative	993,665	-	-	-	4,675	998,340
Civil Service	1,180,812	-	-	-	-	1,180,812
City Elections	415,423	-	-	-	-	415,423
Knoxville Partnership	641,300	-	-	-	-	641,300
Metropolitan Planning Commission	1,211,900	-	-	-	-	1,211,900
Knoxville Zoological Park	2,113,450	-	-	-	-	2,113,450
Community Agency Grants	2,900,360	-	-	-	-	2,900,360
Community Action Committee	1,068,640	-	-	-	-	1,068,640
Tax Increment Payments	2,789,813	-	-	-	-	2,789,813
Other general government	20,403,397	-	-	-	-	20,403,397
Capital & grant projects	-	-	48,307,067	-	-	48,307,067
Debt service:						
Principal retirement	-	6,506,380	-	-	-	6,506,380
Interest payments on bonds & notes	-	1,882,499	-	-	-	1,882,499
Total expenditures	<u>202,370,615</u>	<u>8,388,879</u>	<u>48,307,067</u>	<u>2,022,426</u>	<u>25,866,683</u>	<u>286,955,670</u>
Excess (deficiency) of revenues over (under) expenditures	24,135,222	19,628,056	(38,368,197)	(480,632)	(5,489,191)	(574,742)
Other financing sources (uses)						
Transfers in	807,240	1,480,470	23,123,690	-	11,510,720	36,922,120
Transfers out	(23,201,319)	(17,056,900)	(846,792)	-	(4,649,547)	(45,754,558)
Total other financing sources (uses)	<u>(22,394,079)</u>	<u>(15,576,430)</u>	<u>22,276,898</u>	<u>-</u>	<u>6,861,173</u>	<u>(8,832,438)</u>
Net change in fund balances	1,741,143	4,051,626	(16,091,299)	(480,632)	1,371,982	(9,407,180)
Fund balances - beginning	<u>86,884,649</u>	<u>53,177,865</u>	<u>97,892,838</u>	<u>1,671,384</u>	<u>19,047,675</u>	<u>258,674,411</u>
Fund balances - ending	<u>\$ 88,625,792</u>	<u>\$ 57,229,491</u>	<u>\$ 81,801,539</u>	<u>\$ 1,190,752</u>	<u>\$ 20,419,657</u>	<u>\$ 249,267,231</u>

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, 2020**

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

Net change in fund balances - total governmental funds	\$ (9,407,180)
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 (\$36,178,058) exceeds depreciation expenses (\$19,571,943).	16,606,115
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	725,556
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	6,417,209
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.	28,708
Pension expense not reported in the funds	(9,608,137)
Other postemployment benefit income (expense) not reported in the funds	(492,728)
The internal service fund is used by management to charge the costs of fleet maintenance.	4,650,030
The internal service fund is used by management to charge the costs of risk management.	733,391
The internal service fund is used by management to charge the costs of employee health insurance.	222,704
The internal service fund is used by management to charge the costs of equipment replacement.	2,058,485
The internal service fund is used by management to charge the costs of City buildings.	<u>144,546</u>
Change in net position - governmental activities	<u>\$ 12,078,699</u>

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	\$ 102,467,760	\$ 102,467,760	\$ 101,456,200	\$ -	\$ 101,456,200	\$ (1,011,560)
Prior years	4,389,260	4,389,260	5,585,399	-	5,585,399	1,196,139
Business taxes	7,510,030	7,510,030	7,757,704	-	7,757,704	247,674
Local shared sales tax	43,145,090	43,145,090	43,526,317	-	43,526,317	381,227
Alcoholic beverage taxes	12,857,560	12,857,560	13,616,586	-	13,616,586	759,026
Payments in lieu of taxes	20,885,890	20,885,890	21,341,585	-	21,341,585	455,695
Franchise fees	1,802,590	1,802,590	1,828,615	-	1,828,615	26,025
Intergovernmental -						
Federal	950,000	950,000	917,663	-	917,663	(32,337)
State -						
Sales tax	15,912,000	15,912,000	16,296,331	-	16,296,331	384,331
Income tax	4,600,000	4,600,000	2,926,705	-	2,926,705	(1,673,295)
Other	4,519,140	4,519,140	5,944,932	-	5,944,932	1,425,792
Local	131,230	131,230	287,433	-	287,433	156,203
Licenses and permits	353,970	353,970	319,324	-	319,324	(34,646)
Fines & forfeits	729,640	729,640	630,446	-	630,446	(99,194)
Charges for services	1,665,850	1,665,850	1,584,586	-	1,584,586	(81,264)
Other -						
Interest	1,493,360	1,722,898	1,814,904	-	1,814,904	92,006
Rents & concessions	100,170	100,170	109,678	-	109,678	9,508
Miscellaneous	485,880	788,213	561,429	-	561,429	(226,784)
Total revenues	<u>223,999,420</u>	<u>224,531,291</u>	<u>226,505,837</u>	<u>-</u>	<u>226,505,837</u>	<u>1,974,546</u>
Expenditures						
Current -						
Administration	5,330,950	5,284,954	5,000,078	36,064	5,036,142	248,812
Finance	4,562,820	4,612,820	4,083,040	2,700	4,085,740	527,080
Information systems	4,439,440	4,440,990	3,991,919	76,806	4,068,725	372,265
Community development	6,190,820	13,395,040	4,948,697	3,585,795	8,534,492	4,860,548
Waterfront	415,820	419,170	356,611	-	356,611	62,559
Parks & recreation	7,897,270	7,900,356	7,659,361	20,298	7,679,659	220,697
Mass transit	13,312,060	13,312,060	9,312,060	-	9,312,060	4,000,000
Public services	25,529,000	25,447,410	24,488,320	15,772	24,504,092	943,318
Engineering	6,605,760	6,790,776	6,724,154	16,616	6,740,770	50,006
Law	2,034,670	2,064,221	1,999,526	36,453	2,035,979	28,242
Police	56,650,560	57,239,811	56,855,240	149,503	57,004,743	235,068
Emergency management	412,460	421,640	420,418	916	421,334	306
Fire	41,572,290	42,274,079	42,075,895	16,276	42,092,171	181,908
Codes enforcement	835,490	835,490	736,536	74	736,610	98,880
Legislative	1,074,520	1,073,090	993,665	22,690	1,016,355	56,735
Civil service	1,079,250	1,182,250	1,180,812	464	1,181,276	974
Nondepartmental -						
City elections	325,000	415,430	415,423	-	415,423	7
Knoxville partnership	641,300	641,300	641,300	-	641,300	-
Metropolitan planning commission	1,211,900	1,211,900	1,211,900	-	1,211,900	-
Knoxville zoological gardens	1,413,450	2,113,450	2,113,450	-	2,113,450	-
Community agency grants	1,916,000	2,900,360	2,900,360	-	2,900,360	-
Community action committee	968,640	1,068,640	1,068,640	-	1,068,640	-
Tax increment payments	2,461,660	2,789,990	2,789,813	-	2,789,813	177
Other general government	22,730,188	22,725,868	20,403,397	-	20,403,397	2,322,471
Total expenditures	<u>209,611,318</u>	<u>220,561,095</u>	<u>202,370,615</u>	<u>3,980,427</u>	<u>206,351,042</u>	<u>14,210,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,388,102</u>	<u>3,970,196</u>	<u>24,135,222</u>	<u>(3,980,427)</u>	<u>20,154,795</u>	<u>16,184,599</u>
Other Financing Sources (Uses)						
Transfers in	7,284,870	9,713,200	807,240	-	807,240	(8,905,960)
Transfers out	(28,390,242)	(31,839,432)	(23,201,319)	-	(23,201,319)	8,638,113
Appropriated fund balance	6,717,270	18,156,036	-	-	-	(18,156,036)
Total other financing sources (uses)	<u>(14,388,102)</u>	<u>(3,970,196)</u>	<u>(22,394,079)</u>	<u>-</u>	<u>(22,394,079)</u>	<u>(18,423,883)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,741,143</u>	<u>(3,980,427)</u>	<u>(2,239,284)</u>	<u>\$ (2,239,284)</u>
Fund balance - beginning			<u>86,884,649</u>	<u>-</u>	<u>86,884,649</u>	
Fund balance - ending			<u>\$ 88,625,792</u>	<u>\$ (3,980,427)</u>	<u>\$ 84,645,365</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
MISCELLANEOUS COMMUNITY DEVELOPMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance
	Original	Final	Actual	With Final Budget
Revenues				
Intergovernmental	\$ 1,097,110	\$ 1,097,110	\$ 1,061,209	\$ (35,901)
Charges for services	500,000	500,000	382,493	(117,507)
Appropriated fund balance	761,870	761,870	-	(761,870)
Other	-	-	98,092	98,092
Total revenues	<u>2,358,980</u>	<u>2,358,980</u>	<u>1,541,794</u>	<u>(817,186)</u>
Expenditures				
Current:				
Community Development	<u>2,358,980</u>	<u>2,358,980</u>	<u>2,022,426</u>	<u>336,554</u>
Total expenditures	<u>2,358,980</u>	<u>2,358,980</u>	<u>2,022,426</u>	<u>336,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(480,632)</u>	<u>(480,632)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(480,632)</u>	<u>\$ (480,632)</u>
Fund balances - beginning			<u>1,671,384</u>	
Fund balances - ending			<u>\$ 1,190,752</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Assets				
Current assets:				
Cash & temporary investments	\$ 4,296,541	\$ 2,216,361	\$ 6,512,902	\$ 3,576,663
Investments	52,160,460	10,700,269	62,860,729	139,989,514
Accounts receivable	1,750,945	298,133	2,049,078	89,869
Due from other funds	2,000,000	2,355,200	4,355,200	164,170
Inventories	87,596	18,910	106,506	1,324,205
Prepaid items	35,404	37,155	72,559	-
Total current assets	<u>60,330,946</u>	<u>15,626,028</u>	<u>75,956,974</u>	<u>145,144,421</u>
Noncurrent assets:				
Land and site improvements	3,302,020	4,384,283	7,686,303	-
Buildings and improvements	159,398,468	72,060,193	231,458,661	257,391
Equipment, furniture and fixtures	5,885,534	4,973,595	10,859,129	105,005,593
Infrastructure and site improvements	30,262,474	1,133,544	31,396,018	-
Construction in progress	845,456	-	845,456	1,876
Less: accumulated depreciation	<u>(89,301,665)</u>	<u>(41,550,139)</u>	<u>(130,851,804)</u>	<u>(63,564,710)</u>
Total capital assets (net of accumulated depreciation):	<u>110,392,287</u>	<u>41,001,476</u>	<u>151,393,763</u>	<u>41,700,150</u>
Equity interest in joint venture	<u>277,844</u>	<u>-</u>	<u>277,844</u>	<u>1,384,621</u>
Total noncurrent assets	<u>110,670,131</u>	<u>41,001,476</u>	<u>151,671,607</u>	<u>43,084,771</u>
Total assets	<u>171,001,077</u>	<u>56,627,504</u>	<u>227,628,581</u>	<u>188,229,192</u>
Deferred outflows of resources				
Pensions	-	-	-	1,457,763
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,457,763</u>
Liabilities				
Current liabilities:				
Accounts payable	1,009,604	520,759	1,530,363	3,375,244
Accrued liabilities	181,420	952,710	1,134,130	349,708
Customer deposits	183,694	-	183,694	6,493
Unearned revenue	55,417	164,711	220,128	-
Due to other funds	2,000,000	30,000	2,030,000	164,170
Long-term debt due within one year	5,767,497	-	5,767,497	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	<u>9,197,632</u>	<u>1,668,180</u>	<u>10,865,812</u>	<u>8,995,615</u>
Noncurrent liabilities:				
Long-term debt due in more than one year	83,693,717	-	83,693,717	-
Estimated claims liability	-	-	-	15,350,000
Net pension liability	-	-	-	5,079,412
Total noncurrent liabilities	<u>83,693,717</u>	<u>-</u>	<u>83,693,717</u>	<u>20,429,412</u>
Total liabilities	<u>92,891,349</u>	<u>1,668,180</u>	<u>94,559,529</u>	<u>29,425,027</u>
Deferred inflows of resources				
Pensions	-	528,767	528,767	104,511
Total deferred inflows of resources	<u>-</u>	<u>528,767</u>	<u>528,767</u>	<u>104,511</u>
NET POSITION				
Net investment in capital assets	20,931,073	41,001,476	61,932,549	41,700,150
Unrestricted	<u>57,178,655</u>	<u>13,429,081</u>	<u>70,607,736</u>	<u>118,457,267</u>
Total net position	<u>\$ 78,109,728</u>	<u>\$ 54,430,557</u>	<u>\$ 132,540,285</u>	<u>\$ 160,157,417</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating revenues				
Charges for services	\$ 4,645,175	\$ 7,842,327	\$ 12,487,502	\$ 48,893,974
Total operating revenues	<u>4,645,175</u>	<u>7,842,327</u>	<u>12,487,502</u>	<u>48,893,974</u>
Operating expenses				
Personal services	-	213,170	213,170	5,018,513
Materials & supplies	304,875	430,850	735,725	3,975,475
Depreciation & amortization	4,592,021	2,188,038	6,780,059	8,929,769
Other operating expenses	<u>12,441,750</u>	<u>6,443,154</u>	<u>18,884,904</u>	<u>30,118,043</u>
Total operating expenses	<u>17,338,646</u>	<u>9,275,212</u>	<u>26,613,858</u>	<u>48,041,800</u>
Operating income (loss)	<u>(12,693,471)</u>	<u>(1,432,885)</u>	<u>(14,126,356)</u>	<u>852,174</u>
Nonoperating revenues (expense)				
Interest income	800,414	184,779	985,193	2,182,823
Intergovernmental revenue	18,751,516	25,000	18,776,516	-
Other revenues (expenses)	99,696	229,588	329,284	1,138,218
Interest expense	<u>(2,063,254)</u>	<u>-</u>	<u>(2,063,254)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>17,588,372</u>	<u>439,367</u>	<u>18,027,739</u>	<u>3,321,041</u>
Income (loss) before transfers and capital contributions	<u>4,894,901</u>	<u>(993,518)</u>	<u>3,901,383</u>	<u>4,173,215</u>
Transfers in	3,558,200	2,919,950	6,478,150	2,485,980
Transfers out	(29,120)	(62,961)	(92,081)	(39,611)
Capital contributions	<u>-</u>	<u>249,819</u>	<u>249,819</u>	<u>1,189,572</u>
Change in net position	<u>8,423,981</u>	<u>2,113,290</u>	<u>10,537,271</u>	<u>7,809,156</u>
Net position, beginning of year	<u>69,685,747</u>	<u>52,317,267</u>	<u>122,003,014</u>	<u>152,348,261</u>
Net position, end of year	<u>\$ 78,109,728</u>	<u>\$ 54,430,557</u>	<u>\$ 132,540,285</u>	<u>\$ 160,157,417</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating activities				
Cash received from customers and users	\$ 5,511,543	\$ 7,877,678	\$ 13,389,221	\$ -
Receipts from interfund services provided	-	-	-	49,460,431
Cash paid to suppliers	(13,191,768)	(7,922,827)	(21,114,595)	(12,433,723)
Cash paid to employees	-	(212,566)	(212,566)	(4,769,868)
Cash paid for interfund services used	-	-	-	(1,808,054)
Payments of claims and insurance	-	-	-	(19,848,910)
Net cash provided by (used in) operating activities	<u>(7,680,225)</u>	<u>(257,715)</u>	<u>(7,937,940)</u>	<u>10,599,876</u>
Noncapital financing activities				
Transfers from other funds	6,569,200	6,723,999	13,293,199	3,068,611
Transfers to other funds	(29,120)	(3,310)	(32,430)	-
Tax and intergovernmental revenues	<u>18,851,212</u>	<u>318,901</u>	<u>19,170,113</u>	<u>1,134,976</u>
Net cash provided by (used in) noncapital financing activities	<u>25,391,292</u>	<u>7,039,590</u>	<u>32,430,882</u>	<u>4,203,587</u>
Capital and related financing activities				
Principal paid on general obligation bond maturities	(5,974,537)	-	(5,974,537)	-
Interest paid	(2,063,254)	-	(2,063,254)	-
Acquisition and construction of capital assets	(2,055,946)	(6,445,558)	(8,501,504)	(11,853,825)
Capital contributions	-	-	-	1,189,572
Net cash provided by (used in) capital and related financing activities	<u>(10,093,737)</u>	<u>(6,445,558)</u>	<u>(16,539,295)</u>	<u>(10,664,253)</u>
Investing activities				
Sales/(purchases) of investments, net	(7,167,905)	525,438	(6,642,467)	(4,546,431)
Investment earnings	800,414	184,779	985,193	2,182,823
Net change in equity investment in joint venture	<u>6,772</u>	<u>-</u>	<u>6,772</u>	<u>23,988</u>
Net cash provided by (used in) investing activities	<u>(6,360,719)</u>	<u>710,217</u>	<u>(5,650,502)</u>	<u>(2,339,620)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,256,611</u>	<u>1,046,534</u>	<u>2,303,145</u>	<u>1,799,590</u>
Cash and cash equivalents				
Beginning of year	<u>3,039,930</u>	<u>1,169,827</u>	<u>4,209,757</u>	<u>1,777,073</u>
End of year	<u>\$ 4,296,541</u>	<u>\$ 2,216,361</u>	<u>\$ 6,512,902</u>	<u>\$ 3,576,663</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Internal
	Knoxville Convention Center	Other Nonmajor Activities	Total	Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (12,693,471)	\$ (1,432,885)	\$ (14,126,356)	\$ 852,174
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,592,021	2,188,038	6,780,059	8,929,769
Pension expense (negative expense)	-	(264,385)	(264,385)	228,932
Change in assets and liabilities				
(Increase) decrease in receivables	999,152	5,942	1,005,094	563,215
(Increase) decrease in prepayments	(20,634)	(6,911)	(27,545)	-
(Increase) decrease in inventories	45,967	1,424	47,391	(193,513)
Increase (decrease) in accounts payable	(353,185)	(478,509)	(831,694)	198,166
Increase (decrease) in accrued expenses	(117,291)	331,379	214,088	21,133
Increase (decrease) in deferred revenue	(21,666)	37,586	15,920	-
Increase (decrease) in customer deposits	(111,118)	-	(111,118)	-
Total adjustments	5,013,246	1,814,564	6,827,810	9,747,702
Net cash provided by (used in) operating activities	\$ (7,680,225)	\$ 381,679	\$ (7,298,546)	\$ 10,599,876

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	City Employees' Pension Trust Fund	Combined Agency Funds
Assets		
Cash	\$ 898	\$ 1,087,614
Cash equivalents	9,734,450	-
United States government securities	75,535,173	-
State & municipal government securities	6,850,451	119,801
International securities	138,720,228	-
Corporate bond & indentures	101,028,400	-
Real estate investment trusts	56,879,366	-
Domestic equity securities	195,762,605	-
Alternative assets	19,161,951	-
Pending sales proceeds	456,857	-
Other receivables	-	274,751
Accrued interest & dividends	1,506,608	-
Due from other funds of the Primary Government	-	16,675
Equipment, furniture & fixtures	38,168	-
Accumulated depreciation	(28,334)	-
Total assets	<u>\$ 605,646,821</u>	<u>\$ 1,498,841</u>
Liabilities		
Accounts payable	458,600	-
Investment purchases pending	2,133,362	-
Health care claims liability	-	1,498,841
Total liabilities	<u>\$ 2,591,962</u>	<u>\$ 1,498,841</u>
Net Position Restricted for Pensions	<u>\$ 603,054,859</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	City Employees' Pension Trust Fund
Additions	
Employee contributions	\$ 4,377,253
Employer contributions	29,167,107
Total contributions	<u>33,544,360</u>
Investment earnings:	
Interest and dividends	8,109,507
Net appreciation/(depreciation) in the fair value of investments	10,299,380
Other income	161,423
Total investment earnings (loss)	18,570,310
Less investment expense	(3,396,290)
Net investment earnings (loss)	<u>15,174,020</u>
Total additions (net)	<u>48,718,380</u>
Deductions	
Benefits paid	50,299,815
Refunds	792,107
Administration expenses	739,388
Total deductions	<u>51,831,310</u>
Change in net position	(3,112,930)
Total net position - beginning	<u>606,167,789</u>
Total net position - ending	<u>\$ 603,054,859</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2020

	Component Units			
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Assets				
Cash and cash equivalents	\$ 99,445,520	\$ 47,210,695	\$ 340,656	\$ 146,996,871
Investments	123,784,828	8,411,380	2,042,496	134,238,704
Receivables (net of allowance for uncollectibles):				
Accounts	76,694,933	12,479,190	12,153,025	101,327,148
TVA conservation program	1,933,798	-	-	1,933,798
Other	49,263	1,266,885	-	1,316,148
Inventories	15,349,955	-	1,440,773	16,790,728
Prepaid items	7,163,745	1,501,892	-	8,665,637
Deferred charges	-	588,653	-	588,653
Restricted assets:				
Temporarily restricted:				
Bond funds	35,991,556	3,130,346	-	39,121,902
Receivables	-	440,060	-	440,060
Other	1,514	-	-	1,514
Net pension asset	19,121,375	-	-	19,121,375
Other assets	15,687,072	-	-	15,687,072
Capital assets:				
Land and site improvements	-	161,905,959	2,199,236	164,105,195
Buildings and improvements	-	173,569,019	32,829,438	206,398,457
Utility plant in service	2,834,424,004	-	-	2,834,424,004
Equipment, furniture and fixtures	-	24,178,779	40,610,682	64,789,461
Infrastructure and site improvements	-	-	557,914	557,914
Construction in progress	247,571,881	126,315,255	-	373,887,136
Less accumulated depreciation	(946,215,640)	(229,500,636)	(37,509,264)	(1,213,225,540)
Total assets	<u>2,531,003,804</u>	<u>331,497,477</u>	<u>54,664,956</u>	<u>2,917,166,237</u>
Deferred outflows of resources				
Pensions	8,123,085	-	-	8,123,085
OPEB	4,178,710	-	-	4,178,710
Unamortized bond refundings	20,934,777	916,666	-	21,851,443
Total deferred outflows of resources	<u>33,236,572</u>	<u>916,666</u>	<u>-</u>	<u>34,153,238</u>
Liabilities				
Accounts payable	75,712,403	3,013,491	781,727	79,507,621
Matured principal & interest on bonds	13,807,353	-	-	13,807,353
Accrued liabilities	21,443,876	1,604,399	405,456	23,453,731
Due to primary government	-	-	5,275,200	5,275,200
Customer deposits, plus accrued interest	21,690,456	-	-	21,690,456
Accrued interest	-	93,999	-	93,999
Noncurrent liabilities:				
Long-term debt due within one year	43,125,000	-	-	43,125,000
Long-term debt due in more than one year	1,085,670,000	45,640,000	-	1,131,310,000
Other liabilities	24,075,148	-	-	24,075,148
Unamortized premiums/discounts	40,419,199	-	-	40,419,199
Net pension liability	20,236	-	-	20,236
Net OPEB liability	7,589,447	-	-	7,589,447
Derivative instruments - interest rate swaps	-	-	-	-
Total liabilities	<u>1,333,553,118</u>	<u>50,351,889</u>	<u>6,462,383</u>	<u>1,390,367,390</u>
Deferred inflows of resources				
Pensions	20,568,586	-	-	20,568,586
Deferred revenue	-	52,500	1,198,192	1,250,692
Total deferred inflows of resources	<u>20,568,586</u>	<u>52,500</u>	<u>1,198,192</u>	<u>21,819,278</u>
Net position				
Net investment in capital assets	990,228,184	210,964,151	38,688,006	1,239,880,341
Restricted for:				
Debt service	22,184,203	-	-	22,184,203
Other	1,514	3,570,406	-	3,571,920
Unrestricted	197,704,771	67,475,197	8,316,375	273,496,343
Total net position	<u>\$ 1,210,118,672</u>	<u>\$ 282,009,754</u>	<u>\$ 47,004,381</u>	<u>\$ 1,539,132,807</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units			
					Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	Total Component Units
Component units:								
Knoxville Utilities Board	\$ 730,659,421	\$ 803,751,217	\$ -	\$ 417,071	\$ 73,508,867	\$ -	\$ -	\$ 73,508,867
Metropolitan Knoxville Airport Authority	34,105,589	34,182,676	-	30,037,804	-	30,114,891	-	30,114,891
Knoxville Area Transit	34,800,200	6,379,622	4,362,480	16,851,705	-	-	(7,206,393)	(7,206,393)
Total component units	<u>\$ 799,565,210</u>	<u>\$ 844,313,515</u>	<u>\$ 4,362,480</u>	<u>\$ 47,306,580</u>	<u>\$ 73,508,867</u>	<u>\$ 30,114,891</u>	<u>\$ (7,206,393)</u>	<u>\$ 96,417,365</u>
General revenues:								
Intergovernmental revenue, unrestricted					-	-	8,587,940	8,587,940
Other unrestricted revenue (expense)					(247,449)	6,367,487	(778,221)	5,341,817
Unrestricted investment earnings					4,739,605	1,402,296	-	6,141,901
Total general revenues					<u>4,492,156</u>	<u>7,769,783</u>	<u>7,809,719</u>	<u>20,071,658</u>
Change in net position					78,001,023	37,884,674	603,326	116,489,023
Net position - beginning					1,132,117,649	244,125,080	46,401,055	1,422,643,784
Net position - ending					<u>\$ 1,210,118,672</u>	<u>\$ 282,009,754</u>	<u>\$ 47,004,381</u>	<u>\$ 1,539,132,807</u>

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 (MCAA) operates two airport facilities that serve Knoxville and the surrounding area. MCAA must obtain City approval to issue debt.
3. Knoxville Area Transit (KAT) operates the public transportation system in Knoxville. The City approves the KAT budget. The City also provides significant operating subsidies to KAT. Additional information may be obtained from the General Manager, 1135 Magnolia Avenue, Knoxville, Tennessee 37917.

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

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

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

Joint Ventures

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Related and Jointly Governed Organizations

The following related agencies provide services within the City:

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Knoxville Convention Center was \$2,063,254 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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, 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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Postemployment Benefits - Postemployment pension benefits are accounted for under GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, which establishes standards for the measurement, recognition and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information. See additional information regarding the City's pension benefits in Note 19. The City's Retirement Plan (City of Knoxville Pension System) issues a separate, 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 plans to adopt GASB Statement No. 84, Fiduciary Activities, required for fiscal periods beginning after December 15, 2019, in fiscal 2021. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

The following supplemental budgetary appropriations were enacted by City Council during the fiscal year 2020.

General Fund	\$7,047,003
Special Revenue Funds	7,541,159
Debt Service Funds	328,330
Enterprise Funds	1,695,773
Internal Service Funds	1,213,790
Capital Projects Fund	800,000

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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

	Revenues, Transfers In and Capital Contributions			Expenses and Transfers Out		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<i>Enterprise Funds</i>						
Knoxville Convention Center	\$ 26,993,604	\$ 27,855,001	\$ 861,397	\$ 26,993,604	\$ 19,431,020	\$ 7,562,584
Metro Parking	5,497,000	4,876,703	(620,297)	5,497,000	5,231,158	265,842
Public Assembly Facilities	8,127,129	11,459,709	3,332,580	8,127,129	9,119,398	(992,269)
City Golf Courses	1,513,640	1,375,106	(138,534)	1,513,640	1,247,672	265,968
<i>Knoxville Area Transit</i> (Component Unit)	26,974,980	36,181,747	9,206,767	26,974,980	35,578,421	(8,603,441)
<i>Internal Service Funds</i>						
Fleet Maintenance	17,934,939	19,279,436	1,344,497	17,934,940	14,629,406	3,305,534
Risk Management	7,121,569	7,766,869	645,300	7,121,569	7,033,478	88,091
Employee Health Insurance	21,607,650	21,188,147	(419,503)	21,607,650	20,965,443	642,207
Equipment Replacement	3,281,190	5,194,385	1,913,195	3,281,190	3,135,900	145,290
City Buildings	2,525,240	2,525,798	558	2,525,240	2,381,252	143,988

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, 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, 2020, the City held securities in various municipal bonds of \$28 million or approximately 6% of the total portfolio. All U.S. Government Agency investments have an Aaa credit rating. The corporate equities investments have credit ratings ranging from Baa2 to Baa3 and are part of the permanent fund for Krutch Park.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

As of June 30, 2020, the City had the following investments and maturities.

Investments:	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 4 Years</u>
Primary Government:				
U.S. Government Agencies:				
Federal Home Loan Bank (FHLB)	\$ 9,140,990	\$ 6,062,520	\$ 2,072,930	\$ 1,005,540
Private Equity Funding Corporation (PEFCO)	753,345	753,345	-	-
Federal Farm Credit Bureau (FFCB)	9,192,460	4,042,360	4,093,120	1,056,980
Other Governmental Bonds	30,468,927	17,889,794	5,001,060	7,578,073
Certificates of Deposit	9,254,273	1,519,023	4,610,573	3,124,677
Tennessee Local Government Investment Pool	377,534,689	377,534,689	-	-
	<u>\$ 436,344,684</u>	<u>\$ 407,801,731</u>	<u>\$ 15,777,683</u>	<u>\$ 12,765,270</u>
Fiduciary Activities:				
Tennessee Local Government Investment Pool	\$ 119,801	\$ 119,801	\$ -	\$ -

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:

	<u>Knoxville Utilities Board</u>	<u>Metropolitan Knoxville Airport Authority</u>	<u>Knoxville Area Transit</u>	<u>City Employees' Pension Trust Fund</u>
Deposits:				
Bank balances	\$ 99,445,520	\$ 50,341,041	\$ 340,656	\$ 898
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	\$ 99,445,520	\$ 50,341,041	\$ 340,656	\$ 898
Certificates of deposit	-	-	-	-
Total deposits - carrying value	<u>\$ 99,445,520</u>	<u>\$ 50,341,041</u>	<u>\$ 340,656</u>	<u>\$ 898</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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	\$ -	\$ -	\$ -	\$ 9,734,450	\$ 9,734,450	\$ 9,734,450
United States government securities	91,483,226	8,411,380	-	75,535,173	175,429,779	175,429,779
Domestic equity securities	-	-	-	195,762,605	195,762,605	195,762,605
Corporate bonds	-	-	-	101,028,400	101,028,400	101,028,400
State and municipal government securities	-	-	-	6,850,451	6,850,451	6,850,451
Real estate investment trusts	-	-	-	56,879,366	56,879,366	56,879,366
Alternative assets	-	-	-	19,161,951	19,161,951	19,161,951
International securities	-	-	-	138,720,228	138,720,228	138,720,228
Total classified investments	91,483,226	8,411,380	-	603,672,624	703,567,230	703,567,230
Investments not categorized:						
Investments in state treasurer's investment pool	67,936,014	-	2,042,496	-	69,978,510	69,978,510
Total investments	\$ 159,419,240	\$ 8,411,380	\$ 2,042,496	\$ 603,672,624	\$ 773,545,740	\$ 773,545,740
Total deposits and investments	\$ 258,864,760	\$ 58,752,421	\$ 2,383,152	\$ 603,673,522		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	\$ 99,445,520	\$ 47,210,695	\$ 340,656	\$ 898
Investments	123,784,828	8,411,380	2,042,496	603,672,624
Unused bond proceeds	-	3,130,346	-	-
Bond funds	35,991,556	-	-	-
Other temporarily restricted assets	1,514	-	-	-
	259,223,418	58,752,421	2,383,152	603,673,522
Less accrued interest	(358,658)	-	-	-
Total deposits and investments	<u>\$ 258,864,760</u>	<u>\$ 58,752,421</u>	<u>\$ 2,383,152</u>	<u>\$ 603,673,522</u>

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2020			
Primary Government:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Government Agencies	\$ 19,086,795	\$ 19,086,795	\$ -	\$ -
State and Municipal Bonds	30,468,927	2,771,410	27,697,517	-
Certificates of Deposit	9,254,273	9,254,273	-	-
	<u>\$ 58,809,995</u>	<u>\$ 31,112,478</u>	<u>\$ 27,697,517</u>	<u>\$ -</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2020			
<u>Fiduciary Activities:</u>				
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	\$ 33,933,407	\$ 33,933,407	\$ -	\$ -
U.S. Government Backed Securities	2,849,755	2,849,755	-	-
Commercial Mortgage-Backed Securities	6,698,255	-	6,698,255	-
Asset Backed Securities	6,123,040	-	6,123,040	-
Residential Mortgage-Backed Securities	20,158,140	-	20,158,140	-
Corporate Bonds	96,042,921	96,042,921	-	-
Municipal Bonds	9,015,546	9,015,546	-	-
TIPS	21,318,284	21,318,284	-	-
Total Debt Securities	196,139,348	163,159,913	32,979,435	-
Equity Securities:				
Consumer Discretionary	10,064,865	10,064,865	-	-
Consumer Staples	4,212,328	4,212,328	-	-
Energy	905,345	905,345	-	-
Financials	19,177,544	19,177,544	-	-
Healthcare	7,079,342	7,079,342	-	-
Industrials	10,440,452	10,440,452	-	-
Information Technology	10,129,610	10,129,610	-	-
Materials	2,751,539	2,751,539	-	-
Reit Financials	2,549,070	2,549,070	-	-
Telecommunications Services	18,549,653	18,549,653	-	-
Utilities	2,479,456	2,479,456	-	-
Mutual Funds:				
Large Cap Growth	61,369,430	61,369,430	-	-
Total Equity Securities	\$ 149,708,634	\$ 149,708,634	\$ -	\$ -

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

	June 30, 2020	Fair Value Measurements Using (Continued)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Equity:				
Debt	\$ 5,975,582	\$ -	\$ -	\$ 5,975,582
Diversified	7,289,287	-	-	7,289,287
Energy	6,484,465	-	-	6,484,465
International	5,211,620	-	-	5,211,620
Secondary Markets	5,656,220	-	-	5,656,220
Venture Capital	3,410,970	-	-	3,410,970
Total Private Equity	\$ 34,028,144	\$ -	\$ -	\$ 34,028,144
Total Investments by fair value level	\$ 379,876,126	\$ 312,868,547	\$ 32,979,435	\$ 34,028,144
Investments measured at the net asset value (NAV)				
Real Estate Funds	50,549,380			
International Equities	95,041,373			
Defensive Equity	26,116,207			
Risk Parity	19,161,950			
International - Emerging Market Debt	23,356,580			
Total investment measured at the NAV	214,225,490			
Total investments measured at fair value	594,101,616			
Cash held by money managers	9,401,111			
Total Investment Assets	\$ 603,502,727	(1)		

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	\$ -	\$ 30,000,000	Quarterly*	45 - 90 days
Real Estate Funds	50,549,380	-	Quarterly, Daily	45 days, 1 day
International Equities	95,041,373	-	Monthly	10 - 30 days
Defensive Equity	26,116,207	-	Monthly	5 days
Risk Parity	19,161,950	-	Monthly	3 days
International - Emerging Market Debt	23,356,580	-	Monthly	3 days
Total investment measured at the NAV	<u>\$ 214,225,490</u>	<u>\$ 30,000,000</u>		
Private Equity:				
Debt	\$ 5,975,582	\$ 3,375,000		
Diversified	7,289,287	8,677,120		
Energy	6,484,465	750,761		
International	5,211,620	1,457,727		
Secondary Markets	5,656,220	4,030,000		
Venture Capital	3,410,970	41,850		
Total Private Equity	<u>\$ 34,028,144</u>	<u>\$ 18,332,458</u>		

Infrastructure Funds – The System committed to two managers in February 2020, but no funds have been drawn as of June 30, 2020. The investment will consist of open-ended private infrastructure funds with one focused globally and one concentrated in North America in various industries. The goal of these investments is to provide a high degree of yield from rental/fee incomes and a diversification away from many aspects of the traditional economic cycle.

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. The System exited multi-strategy hedge fund investments in January of 2020.

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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. The System exited master limited partnerships in August of 2019.

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.

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - RECEIVABLES

Receivables at June 30, 2020, including the applicable allowance for uncollectible accounts, consisted of the following:

	Intergovernmental	Interest and Dividends	Grants	Customers	Other	Allowance for Doubtful Accounts	Total
General fund	\$ 742,216	\$ 138,328	\$ 22,631	\$ 105,414	\$ 2,454	\$ (14,291)	\$ 996,752
Debt service fund	-	213,181	-	-	255	-	213,436
Capital projects fund	77,588	18,354	5,829,909	-	-	-	5,925,851
Special revenue funds:							
Miscellaneous community development funds	-	-	37,641	-	-	-	37,641
Other governmental funds	1,107,230	-	1,206,596	70,263	37,768	-	2,421,857
Knoxville Convention Center	1,571,126	12,093	-	-	167,726	-	1,750,945
Other enterprise funds	-	-	196,124	102,009	-	-	298,133
Internal service funds	24,941	33,449	-	31,479	-	-	89,869
Total primary government	3,523,101	415,405	7,292,901	309,165	208,203	(14,291)	11,734,484
Component units:							
Knoxville Utilities Board	1,933,798	49,263	-	75,001,398	2,287,957	(594,422)	78,677,994
Metropolitan Knoxville Airport Authority	-	46,637	11,081,742	1,837,508	1,220,248	-	14,186,135
Knoxville Area Transit	-	-	12,153,025	-	-	-	12,153,025
Total reporting entity	<u>\$ 5,456,899</u>	<u>\$ 511,305</u>	<u>\$ 30,527,668</u>	<u>\$ 77,148,071</u>	<u>\$ 3,716,408</u>	<u>\$ (608,713)</u>	<u>\$ 116,751,638</u>
Fiduciary Activities:							
City Employees' Pension Trust Fund	\$ -	\$ 1,506,608	\$ -	\$ -	\$ -	\$ -	\$ 1,506,608
Combined Agency Funds	-	-	-	-	274,751	-	274,751
Total fiduciary activities	<u>\$ -</u>	<u>\$ 1,506,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,751</u>	<u>\$ -</u>	<u>\$ 1,781,359</u>

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following:

Governmental Funds:	
Notes Receivable	
General Fund	\$ 2,380,223
Special Revenue Fund - Miscellaneous Community Development Funds	9,587,892
Other Governmental Funds - Community Development Block Grant Funds	1,465,831
Miscellaneous Special Revenue Funds	<u>2,730,000</u>
Total Notes Receivable	<u>\$ 16,163,946</u>

The \$9,587,892 due to the Miscellaneous to Community Development Funds and the \$4,195,831 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 \$13,783,723 is included in deferred inflows of resources.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Metropolitan Knoxville Airport Authority

The Metropolitan Airport Authority, as lessor, leases certain capital assets under operating leases expiring in various years through 2054. As of June 30, 2020, minimum future base rentals to be received on noncancellable leases are as follows:

Year Ended June 30,

2021	\$ 5,219,825
2022	4,734,849
2023	4,739,535
2024	3,982,547
2025	775,729
Thereafter	<u>14,577,671</u>
Total	<u>\$34,030,156</u>

Contingent rentals, which consist primarily of airline terminal, rental car concessions and other similar revenues, amounted to \$5,648,201 in 2020.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
Governmental activities:				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 84,438,721	\$ 140,858	\$ (75,000)	\$ 84,504,579
Artwork	137,879	151,000	-	288,879
Construction in progress	10,281,143	36,218,607	(27,954,217)	18,545,533
Total nondepreciable capital assets	<u>94,857,743</u>	<u>36,510,465</u>	<u>(28,029,217)</u>	<u>103,338,991</u>
<i>Depreciable:</i>				
Buildings and building improvements	77,479,172	2,429,790	(64,941)	79,844,021
Equipment, furniture and fixtures	119,041,248	16,080,117	(7,924,771)	127,196,594
Infrastructure and site improvements	<u>459,285,739</u>	<u>21,404,320</u>	<u>-</u>	<u>480,690,059</u>
Total depreciable capital assets	<u>655,806,159</u>	<u>39,914,227</u>	<u>(7,989,712)</u>	<u>687,730,674</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(35,610,098)	(2,634,960)	64,941	(38,180,117)
Equipment, furniture and fixtures	(72,018,590)	(10,637,270)	7,770,570	(74,885,290)
Infrastructure and site improvements	<u>(238,931,783)</u>	<u>(15,229,482)</u>	<u>-</u>	<u>(254,161,265)</u>
Total accumulated depreciation	<u>(346,560,471)</u>	<u>(28,501,712)</u>	<u>7,835,511</u>	<u>(367,226,672)</u>
Total depreciable capital assets, net	<u>309,245,688</u>	<u>11,412,515</u>	<u>(154,201)</u>	<u>320,504,002</u>
Governmental activities capital assets, net	<u>\$ 404,103,431</u>	<u>\$ 47,922,980</u>	<u>\$ (28,183,418)</u>	<u>\$ 423,842,993</u>
Business-type activities:				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 7,336,303	\$ 350,000	\$ -	\$ 7,686,303
Artwork	764,875	-	-	764,875
Construction in progress	<u>4,888,180</u>	<u>8,737,170</u>	<u>(12,779,894)</u>	<u>845,456</u>
Total nondepreciable capital assets	<u>12,989,358</u>	<u>9,087,170</u>	<u>(12,779,894)</u>	<u>9,296,634</u>
<i>Depreciable:</i>				
Buildings and building improvements	220,863,222	10,595,439	-	231,458,661
Equipment, furniture and fixtures	8,950,809	1,143,445	-	10,094,254
Infrastructure and site improvements	<u>30,940,669</u>	<u>455,349</u>	<u>-</u>	<u>31,396,018</u>
Total depreciable capital assets	<u>260,754,700</u>	<u>12,194,233</u>	<u>-</u>	<u>272,948,933</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(102,975,958)	(5,099,694)	-	(108,075,652)
Equipment, furniture and fixtures	(6,010,456)	(441,322)	-	(6,451,778)
Infrastructure and site improvements	<u>(15,085,326)</u>	<u>(1,239,048)</u>	<u>-</u>	<u>(16,324,374)</u>
Total accumulated depreciation	<u>(124,071,740)</u>	<u>(6,780,064)</u>	<u>-</u>	<u>(130,851,804)</u>
Total depreciable capital assets, net	<u>136,682,960</u>	<u>5,414,169</u>	<u>-</u>	<u>142,097,129</u>
Business-type activities capital assets, net	<u>\$ 149,672,318</u>	<u>\$ 14,501,339</u>	<u>\$ (12,779,894)</u>	<u>\$ 151,393,763</u>
Fiduciary activities:				
Knoxville Employees' Pension Plan				
<i>Depreciable: Equipment, furniture and fixtures</i>	\$ 30,234	\$ 12,259	\$ (4,325)	\$ 38,168
<i>Accumulated Depreciation</i>	<u>(26,791)</u>	<u>(5,868)</u>	<u>4,325</u>	<u>(28,334)</u>
Total Knoxville Employees' Pension Plan	<u>\$ 3,443</u>	<u>\$ 6,391</u>	<u>\$ -</u>	<u>\$ 9,834</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS - Continued

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

Governmental Activities

General	\$ 12,075,420
Public Safety	2,431,641
Physical Environment	11,638,750
Economic Development	58,999
Parks and Recreation	1,963,176
Health and Sanitation	<u>333,726</u>
	<u>\$ 28,501,712</u>

Business-type Activities

Knoxville Convention Center	\$ 4,592,021
Metro Parking	1,563,994
Public Assembly Facilities	567,365
Municipal Golf Courses	<u>56,684</u>
	<u>\$ 6,780,064</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Component Units				
Knoxville Utilities Board				
<i>Nondepreciable: Construction in Progress</i>	\$ 217,073,804	\$ 191,689,791	\$ (161,191,714)	\$ 247,571,881
<i>Depreciable:</i>				
Pumping and treatment plant	331,158,752	16,032,444	(1,912,647)	345,278,549
Distribution & collection plant	2,202,809,809	115,383,615	(43,360,774)	2,274,832,650
General plant	186,152,983	29,647,823	(1,488,001)	214,312,805
Total depreciable assets	2,720,121,544	161,063,882	(46,761,422)	2,834,424,004
Accumulated depreciation	(917,026,275)	(76,331,498)	47,142,133	(946,215,640)
Total depreciable capital assets, net	1,803,095,269	84,732,384	380,711	1,888,208,364
Total Knoxville Utilities Board	\$ 2,020,169,073	\$ 276,422,175	\$ (160,811,003)	\$ 2,135,780,245
Metropolitan Knoxville Airport Authority				
<i>Nondepreciable:</i>				
Land	\$ 39,255,339	\$ 134,014	\$ (76,946)	\$ 39,312,407
Construction in progress	96,558,646	32,726,869	(2,970,260)	126,315,255
Total nondepreciable capital assets	135,813,985	32,860,883	(3,047,206)	165,627,662
<i>Depreciable:</i>				
Land improvements	120,851,163	1,742,389	-	122,593,552
Buildings and building improvements	172,674,934	894,085	-	173,569,019
Equipment, furniture and fixtures	23,474,891	775,587	(71,699)	24,178,779
Total depreciable capital assets	317,000,988	3,412,061	(71,699)	320,341,350
<i>Accumulated depreciation:</i>				
Land improvements	(94,731,119)	(3,233,668)	-	(97,964,787)
Buildings and building improvements	(113,376,996)	(5,453,621)	-	(118,830,617)
Equipment, furniture and fixtures	(11,382,319)	(1,365,391)	42,478	(12,705,232)
Total accumulated depreciation	(219,490,434)	(10,052,680)	42,478	(229,500,636)
Total depreciable capital assets, net	97,510,554	(6,640,619)	(29,221)	90,840,714
Total Metropolitan Knoxville Airport Authority	\$ 233,324,539	\$ 26,220,264	\$ (3,076,427)	\$ 256,468,376
Knoxville Area Transit				
<i>Nondepreciable:</i>				
Land	\$ 2,199,236	\$ -	\$ -	\$ 2,199,236
Artwork	49,000	-	-	49,000
Construction in progress	138,641	-	(138,641)	-
Total nondepreciable capital assets	2,386,877	-	(138,641)	2,248,236
<i>Depreciable:</i>				
Buildings and building improvements	32,599,049	230,389	-	32,829,438
Infrastructure and site improvements	557,914	-	-	557,914
Equipment, vehicles, furniture and fixtures	39,254,096	3,453,028	(2,145,442)	40,561,682
Total depreciable capital assets	72,411,059	3,683,417	(2,145,442)	73,949,034
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(11,838,833)	(1,032,485)	-	(12,871,318)
Infrastructure and site improvements	(63,498)	(25,969)	-	(89,467)
Equipment, vehicles, furniture and fixtures	(23,632,686)	(3,061,235)	2,145,442	(24,548,479)
Total accumulated depreciation	(35,535,017)	(4,119,689)	2,145,442	(37,509,264)
Total depreciable capital assets, net	36,876,042	(436,272)	-	36,439,770
Total Knoxville Area Transit	\$ 39,262,919	\$ (436,272)	\$ (138,641)	\$ 38,688,006

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 2019, MKAA received approximately \$5,340,000 with the remaining \$1,190,000 recorded as a receivable at June 30, 2020. A gain of approximately \$5,520,000 has been recognized related to this transaction in 2019.

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, 2020 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	\$ 10,047,261	\$ 5,415,200	\$ 4,632,061	\$ 5,275,200	\$ -
Debt Service Fund	520,500	-	520,500	-	-
Special Revenue Fund:					
State Street Aid	-	-	-	-	-
Community Development Block Grant	-	160,000	(160,000)	-	-
Abandoned Vehicles	-	2,500	(2,500)	-	-
City Inspections	-	7,000	(7,000)	-	-
City Court	-	-	-	-	-
Miscellaneous Grants	50,000	570,500	(520,500)	-	-
Miscellaneous Special Revenue	82	82,843	(82,761)	-	-
Storm Water	-	5,000	(5,000)	-	-
Solid Waste	-	10,000	(10,000)	-	-
Miscellaneous Community Development Funds	1,425,800	15,800	1,410,000	-	-
Knoxville Civic Revitalization	-	16,675	(16,675)	-	-
Capital Projects Fund	6,250,000	14,350,000	(8,100,000)	-	-
Internal Service Funds:					
Fleet Maintenance	164,170	-	164,170	-	-
Risk Management	-	1,670	(1,670)	-	-
Equipment Replacement	-	162,500	(162,500)	-	-
Total governmental activities	<u>18,457,813</u>	<u>20,799,688</u>	<u>(2,341,875)</u>	<u>5,275,200</u>	<u>-</u>
Business-Type Activities					
Knoxville Convention Center	2,000,000	2,000,000	-	-	-
Public Assembly Facilities	2,355,200	-	2,355,200	-	-
Metro Parking	-	30,000	(30,000)	-	-
Municipal Golf Courses	-	-	-	-	-
Total business-type activities	<u>4,355,200</u>	<u>2,030,000</u>	<u>2,325,200</u>	<u>-</u>	<u>-</u>
Fiduciary Funds					
Health Savings	16,675	-	16,675	-	-
	<u>16,675</u>	<u>-</u>	<u>16,675</u>	<u>-</u>	<u>-</u>
Component Units:					
Knoxville Area Transit	-	-	-	-	5,275,200
	<u>\$ 22,829,688</u>	<u>\$ 22,829,688</u>	<u>\$ -</u>	<u>\$ 5,275,200</u>	<u>\$ 5,275,200</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2020, are comprised of the following issues:

	General Obligation Bonds and Note Payable		
	Governmental Activities	Business-type Activities	Total
Primary Government			
General Obligation Public Improvement Bond Series A-4-A maturing through 2032 with a floating interest rate	\$ -	\$ 59,970,000	\$ 59,970,000
General Obligation Refunding Bonds Series 2012 maturing through 2025 at varying rates of interest ranging from 1.0% to 5.0%	14,086,100	28,823,900	42,910,000
General Obligation Bonds Series 2014 maturing through 2034 at varying rates of interest ranging from 2.8% to 3.2%	25,400,000	-	25,400,000
General Obligation Bonds Series 2018 maturing through 2028 at varying rates of interest ranging from 3.0% to 5.0%	<u>12,070,000</u>	<u>-</u>	<u>12,070,000</u>
Total General Obligation Bonds	51,556,100	88,793,900	140,350,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points	<u>2,730,000</u>	<u>-</u>	<u>2,730,000</u>
Total Primary Government	<u>\$ 54,286,100</u>	<u>\$ 88,793,900</u>	<u>\$ 143,080,000</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT - Continued

Component Units:	Revenue Bonds
<i>Knoxville Utilities Board:</i>	
Electric Revenue Bonds Series Z to KK, maturing through 2050 at varying rates of interest ranging from 1.45% to 6.35%	\$ 305,835,000
Water Revenue Bonds Series W to JJ maturing through 2050 at varying rates of interest ranging from 2.0% to 5.0%	204,890,000
Gas Revenue Bonds Series P to Z, maturing through 2050 at varying rates of interest ranging from 2.0% to 6.2%	105,510,000
Waste Water Revenue Bonds Series 2010, 2010C, 2012A, 2012B, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018, 2019, 2020 maturing through 2050 at varying rates of interest ranging from 4.0% to 6.5%	512,560,000
	\$ 1,128,795,000
<i>Metropolitan Knoxville Airport Authority:</i>	
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.	6,070,000
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
	\$ 45,640,000

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, 2020, these requirements had been satisfied.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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
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	4,009,170	848,500	6,045,830	3,632,478
2026-2030	14,950,000	2,504,188	40,405,000	9,761,625
2031-2035	9,400,000	686,813	18,510,000	1,257,525
2035-2036	180,000	-	-	-
	<u>54,286,100</u>	<u>\$ 9,249,813</u>	<u>88,793,900</u>	<u>\$ 27,455,648</u>
Unamortized premium	3,076,285		667,314	
Total	<u>\$ 57,362,385</u>		<u>\$ 89,461,214</u>	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
2021	\$ 43,125,000	\$ 41,877,819
2022	50,990,000	40,085,886
2023	53,090,000	37,930,346
2024	55,205,000	35,766,747
2025	56,340,000	33,785,525
2026-2030	258,605,000	140,821,288
2031-2035	210,255,000	100,324,466
2036-2040	215,295,000	63,516,376
2041-2045	171,375,000	25,471,882
2046-2050	60,155,000	3,926,648
	<u>\$ 1,174,435,000</u>	<u>\$ 523,506,983</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT - Continued

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 ran 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, has been paid in full during fiscal 2020.

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.

Terms - The interest rate swap agreements were based on the same amortization schedules as the outstanding principal of the associated debt. Under the terms of the swap agreement the City paid interest at a fixed rate of 3.955% and received 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).

The notional amounts of the swap matches principal amounts of the associated debt. The notional amount of the swap was \$0 as of June 30, 2020.

Fair Value - As of June 30, 2020, the swap had no estimated fair value as the associated debt was paid in full, and the swap was terminated during fiscal 2020.

Credit Risk - As of June 30, 2020, the City was not exposed to credit risk because the swap had been terminated and did not have a fair value.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT – Continued

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 swap had an effective date of June 28, 2001 with a fixed rate paid of 4.355% and a variable rate received of 62.5% of 5 Year LIBOR. The swap was terminated in 2020 in consideration of \$188,291.

Terms - The notional amounts of the swap matches principal amounts of the associated debt. The notional amount of the swap was \$0 as of June 30, 2020.

Investment Derivative Instrument Risks

The Authority has an investment derivative associated with the Series V-A-1 bond. Accordingly, the \$405,479 decrease in its fair value in fiscal year 2020 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. There is no estimated fair value as of June 30, 2020 as the swap has been terminated during fiscal year 2020.

Scheduled Debt Service Requirements

As of June 30, 2020, 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 June 30,	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swap, net	Total
2021	\$ -	\$ 1,123,443	\$ -	\$ 1,123,443
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
2025	7,090,000	619,159	-	7,709,159
Thereafter	18,300,000	879,019	-	19,179,019
	<u>\$ 45,640,000</u>	<u>\$ 5,470,364</u>	<u>\$ -</u>	<u>\$51,110,364</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 which is subject to change based on Congressional action. As of October 1, 2019, the effective reduction in rebate is 5.9 percent. During fiscal year 2019, KUB's Electric Division issued Series JJ 2018 bonds to fund electric system capital improvements. During fiscal year 2020, KUB's Electric Division issued Series KK 2020 bonds to retire a portion of outstanding Series Z 2010 bonds as follows. On May 22, 2020, \$14.4 million in revenue refunding bonds with an average interest rate of 5 percent were issued to advance refund \$17.1 million of outstanding bonds with an average interest rate of 5.8 percent. The net proceeds of \$17.1 million (after payment of \$0.2 million in issuance costs plus premium of \$2.9 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2020 debt service payment. As a result, the remaining bonds are considered to be refunded and the liability of \$17.1 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 11 years by \$2.4 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2.2 million.

During fiscal year 2019, KUB's Gas Division issued Series Y 2018 bonds to fund gas system capital improvements. During fiscal year 2020, KUB's Gas Division issued Series Z 2020 bonds to retire a portion of outstanding Series P 2010 bonds as follows. On May 22, 2020, \$6.8 million in revenue refunding bonds with an average interest rate of 4.7 percent were issued to currently refund \$9.7 million of outstanding bonds with an average interest rate of 6.1 percent. The net proceeds of \$9.8 million (after payment of \$0.1 million in issuance costs plus premium of \$1.1 million and an additional issuer equity contribution of \$2 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 12 years by \$1.8 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.3 million.

During fiscal year 2019, KUB's Water Division issued HH 2018 bonds to fund water system capital improvements. During fiscal year 2020, KUB's Water Division issued Series II 2019 bonds to fund water system capital improvements. KUB's Water Division also issued Series JJ 2020 bonds to retire a portion of outstanding Series W 2011 bonds as follows. On May 22, 2020, \$19.5 million in revenue refunding bonds with an average interest rate of 3.2 percent were issued to currently refund \$20.6 million of outstanding bonds with an average interest rate of 4 percent. The net proceeds of \$20.8 million (after payment of \$0.2 million in issuance costs plus premium of \$1.5 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 20 years by \$3.9 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3.1 million.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT - Continued

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2019, the effective reduction in rebate is 5.9 percent. During fiscal year 2019, KUB's Wastewater Division issued Series 2018 bonds to fund wastewater system capital improvements. During fiscal year 2020, KUB's Wastewater Division issued Series 2019 bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2020 bonds to retire a portion of outstanding Series 2010 bonds as follows. On May 22, 2020, \$28.2 million in revenue refunding bonds with an average interest rate of 3.3 percent were issued to currently refund \$30 million of outstanding bonds with an average interest rate of 6.4 percent. The net proceeds of \$30.3 million (after payment of \$0.3 million in issuance costs plus premium of \$2.4 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 25 years by \$18.9 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8.8 million.

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, 2020, debt service on all debt issues was approximately 57% 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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

	Balance June 30, 2019	Additions and Transfers	Reductions and Transfers	Balance June 30, 2020	Due Within One Year
Primary Government					
<i>Government Activities:</i>					
General obligation bonds	\$ 58,062,480	\$ -	\$ 6,506,380	\$ 51,556,100	\$ 5,813,420
Add unamortized amounts for issuance premiums	3,749,324	-	673,039	3,076,285	609,215
	61,811,804	-	7,179,419	54,632,385	6,422,635
HUD section 108 promissory note	2,900,000	-	170,000	2,730,000	170,000
Estimated claims liability	20,450,000	18,953,936	18,953,936	20,450,000	5,100,000
Compensated absences payable	8,186,762	8,394,027	6,940,971	9,639,818	6,940,971
Net pension liability	204,050,183	72,137,261	63,794,065	212,393,379	-
Net OPEB liability	15,721,022	1,083,077	1,066,425	15,737,674	-
Total governmental activities long-term liabilities	<u>\$ 313,119,771</u>	<u>\$ 100,568,301</u>	<u>\$ 98,104,816</u>	<u>\$ 315,583,256</u>	<u>\$ 18,633,606</u>
<i>Business-type Activities:</i>					
General obligation bonds	\$ 94,632,520	\$ -	\$ 5,838,620	\$ 88,793,900	\$ 5,631,580
Add unamortized amounts for issuance premiums	803,231	-	135,917	667,314	135,917
	95,435,751	-	5,974,537	89,461,214	5,767,497
Compensated absences payable	5,052	2,922	-	7,974	7,974
Derivative instrument - interest rate swaps	93,025	-	93,025	-	-
Total business-type activities long-term liabilities	<u>\$ 95,533,828</u>	<u>\$ 2,922</u>	<u>\$ 6,067,562</u>	<u>\$ 89,469,188</u>	<u>\$ 5,775,471</u>

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

All bonds and loans are backed by the full faith and credit of the City. In addition to the primary pledge of property taxes, the City has pledged convention center revenues net of operating expenses (if any) as a secondary pledge to repay the \$59.97 million TN Series A-4-A long-term debt issue used to construct the center. For the year ended June 30, 2020, principal and interest payments on all debt issues were approximately 12% of the pledged revenue. Principal and interest remaining to be paid on all debt issues is approximately \$184 million, based on market interest rates effective on June 30, 2020.

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM DEBT - Continued

	Balance June 30, 2019	Additions and Transfers	Reductions and Transfers	Refundings / Retirements	Balance June 30, 2020	Due Within One Year
Component Units						
<i>Knoxville Utilities Board:</i>						
Revenue bonds	\$ 1,141,925,000	\$ 104,880,000	\$ 40,620,000	\$ 77,390,000	\$ 1,128,795,000	\$43,125,000
Other long-term liabilities:						
TVA conservation program	3,082,829	176,370	1,235,251	-	2,023,948	1,500,000
Compensated absences	9,184,481	16,101,901	15,006,168	-	10,280,214	3,000,000
Customer advances for construction	8,144,729	3,467,243	1,953,004	-	9,658,968	17,000
Other	263,388	448,069	421,285	-	290,172	35,000
Total Knoxville Utilities Board	<u>1,162,600,427</u>	<u>125,073,583</u>	<u>59,235,708</u>	<u>77,390,000</u>	<u>1,151,048,302</u>	<u>47,677,000</u>
<i>Metropolitan Knoxville Airport Authority:</i>						
Revenue/general obligation bonds	57,045,000	-	11,405,000	-	45,640,000	-
Total Metropolitan Knoxville Airport Authority	<u>57,045,000</u>	<u>-</u>	<u>11,405,000</u>	<u>-</u>	<u>45,640,000</u>	<u>-</u>
Total component units	<u>\$ 1,219,645,427</u>	<u>\$ 125,073,583</u>	<u>\$ 70,640,708</u>	<u>\$ 77,390,000</u>	<u>\$ 1,196,688,302</u>	<u>\$47,677,000</u>

NOTE 11 - LEASES

Primary Government

The City was committed to periodic payments to the Public Building Authority for rental of the City-County Building. The lease expired during 2001 and the City is renting the space on a month-to month basis until a new lease is established. Total rental payments for the year ending June 30, 2020 were \$1,617,410.

Component Units

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

2021	\$313,658
2022	105,405
2023	15,586
2024	13,714
2025	<u>13,714</u>
Total	<u>\$462,077</u>

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 12 - FUND BALANCES

Detail fund balances are as follows:

				Special Revenue Funds		
				Miscellaneous Community Development		
	General Fund	Debt Service Fund	Capital Projects Fund	Fund	Other Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 363,461	\$ -	\$ 6,378	\$ -	\$ 500,280	\$ 870,119
Prepays	3,000	-	-	-	-	3,000
Permanent Fund Principal	-	-	-	-	624,065	624,065
Restricted for:						
Street Improvements	-	-	-	-	3,211,951	3,211,951
Community Development	-	-	-	1,190,752	-	1,190,752
Law Enforcement	-	-	-	-	3,263,453	3,263,453
Parks & Recreation	-	-	-	-	279,243	279,243
Solid Waste Operations	-	-	-	-	4,364,833	4,364,833
Krutch Park	-	-	-	-	311,758	311,758
Committed to:						
Debt Service	-	57,229,491	-	-	-	57,229,491
Economic Stabilization	46,917,809	-	-	-	-	46,917,809
Other Capital Projects	-	-	81,795,161	-	-	81,795,161
Abandoned Vehicle Operations	-	-	-	-	401,379	401,379
City Inspections Operations	-	-	-	-	975,272	975,272
City Court Operations	-	-	-	-	1,108,981	1,108,981
Animal Control Operations	-	-	-	-	720,331	720,331
Beer Board	-	-	-	-	169,634	169,634
Finance & Accountability	273,026	-	-	-	-	273,026
Law Enforcement	-	-	-	-	1,838,514	1,838,514
Safety City	-	-	-	-	465,101	465,101
Storm Water Operations	-	-	-	-	1,447,732	1,447,732
Assigned to:						
Administration	1,256,486	-	-	-	-	1,256,486
Appropriated Fund Balance	11,472,780	-	-	-	-	11,472,780
Finance	319,819	-	-	-	-	319,819
Community Development	6,874,592	-	-	-	-	6,874,592
Law Enforcement	23,535	-	-	-	735,630	759,165
Public Services	741,499	-	-	-	-	741,499
Parks & Recreation	327,614	-	-	-	1,500	329,114
Unassigned	<u>20,052,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,052,171</u>
Total Fund Balances	<u>\$ 88,625,792</u>	<u>\$ 57,229,491</u>	<u>\$ 81,801,539</u>	<u>\$ 1,190,752</u>	<u>\$ 20,419,657</u>	<u>\$ 249,267,231</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 13 - RISK MANAGEMENT

Primary Government

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

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

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

Health Insurance Fund

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

	<u>2020</u>	<u>2019</u>
Estimated maximum claims liability, beginning of year	\$ 2,750,000	\$ 2,500,000
Provision for incurred claims	16,098,482	14,981,934
Payments made on claims	<u>(16,098,482)</u>	<u>(14,731,934)</u>
Estimated maximum claims liability, end of year	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>

Risk Management Fund

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

An analysis of claims activity for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Estimated maximum claims liability, beginning of year	\$ 17,700,000	\$ 17,700,000
Provision for incurred claims	2,855,454	3,045,993
Payments made on claims	<u>(2,855,454)</u>	<u>(3,045,993)</u>
Estimated maximum claims liability, end of year	<u>\$ 17,700,000</u>	<u>\$ 17,700,000</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2020, were accrued in the financial statements of the fund based on pending claims filed and past experience, calculated in accordance with Governmental Accounting Standards Board Statement No. 10. The current portion of the claims liability is estimated to be \$5.1 million.

Component units

Knoxville Utilities Board

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

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

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is the Utilities Board's best estimate based on available information. At June 30, 2020, the amount of these liabilities was \$1,720,620. An analysis of claims activity for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Estimated maximum claims liability, beginning of year	\$ 1,911,512	\$ 1,822,689
Provision for incurred claims	14,943,377	17,179,059
Payments made on claims	<u>(15,134,269)</u>	<u>(17,090,236)</u>
Estimated maximum claims liability, end of year	<u>\$ 1,720,620</u>	<u>\$ 1,911,512</u>

Metropolitan Knoxville Airport Authority

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 14 - JOINT VENTURES

Public Building Authority

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

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

Knoxville, Knox County, KUB Geographic Information Systems

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

NOTE 15 - MANAGEMENT AGREEMENTS

The City has entered into the following management agreements:

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

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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 15 - MANAGEMENT AGREEMENTS - Continued

IJAMS Nature Park - The City has entered into various agreements with the IJAMS Nature Park over the years whereby IJAMS will provide management and operation of a nature park. The current 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.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, 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, 2020:

	<u>Spent to Date</u>	<u>Contractual Commitment Remaining at June 30, 2020</u>
Access Improvements	\$ 479,543	\$ 32,562
Austin Homes Redevelopment	1,123,584	3,126,416
Bridge Maintenance	32,311	1,230,418
Building Improvements	31,700	257,895
Downtown Improvements	214,678	6,522
Drainage Improvements	591,055	445,959
Five Points Redevelopment	3,452,825	-
Fleet Facilities	502,686	15,059
Greenway Improvements	639,297	270,578
Information Technology Upgrades	121,257	266,080
New Sidewalk	873,150	1,285,715
Park Improvements	180,051	602,451
Paving Program	-	3,021,686
Public Safety Facilities	4,047,125	9,710,642
Roadway Improvements	12,956,629	10,672,350
Sidewalk Improvements	497,590	723,711
Solid Waste Facilities	203,860	37,920
Street Lighting	296,053	38,544
Streetscapes	7,671,737	1,467,813
Traffic Signal Upgrades	1,273,952	1,988,176
Urban Wilderness	2,190,399	1,664,246
Water Quality Improvements	<u>46,307</u>	<u>529,023</u>
Total	<u>\$ 37,425,789</u>	<u>\$ 37,393,765</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 3,980,427
Capital Projects	54,209,739
Miscellaneous CD Funds	
Miscellaneous Community Development Funds	347,865
Other Governmental Funds	
Special Revenue Funds	13,942
Miscellaneous Grants Funds	3,572,537
	<u>3,586,479</u>
	<u>\$ 62,124,510</u>

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 (\$1,513,434) at June 30, 2020.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 \$1,848,630 at June 30, 2020.

Natural Gas Supply Contract Commitments - For the year ended June 30, 2020, the Gas Division of the Knoxville Utilities Board hedged 38% of its total gas purchases via gas supply contracts. As of June 30, 2020, the Gas Division had hedged the price on approximately 4% of its anticipated gas purchases for fiscal year 2021.

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:

	2021	2022	2023	2024	2025
Demand:					
Transportation	\$ 13,336,432	\$ 13,374,152	\$ 13,374,152	\$ 13,374,152	\$ 13,374,152
Storage	4,483,817	4,489,817	4,036,787	2,947,697	2,792,687
Demand total	<u>\$ 17,820,249</u>	<u>\$ 17,863,969</u>	<u>\$ 17,410,939</u>	<u>\$ 16,321,849</u>	<u>\$ 16,166,839</u>
Commodity:					
Baseload	<u>\$ 4,707,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for ConocoPhillips and Shell Energy are based upon firm supply obligations at locked prices with those suppliers. The firm obligations value for CNX Gas and NJR Energy Services are based upon firm supply obligations and the applicable New York Mercantile Exchange ("NYMEX") strip prices at June 30, 2020.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the Wastewater Division had issued \$556.2 million in bonds to fund wastewater system capital improvements since the inception of the Consent Decree. The Board approved two 50 percent rate increases, which went into effect in April 2005 and January 2007. The Board also approved an 8 percent rate increase, which was effective in September 2008, two 12 percent rate increases, which were effective in April 2011 and October 2012, three 6 percent rate increases, which were effective October 2014, October 2015, and October 2016, and three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

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

As of June 30, 2020, the Wastewater Division had completed its 16th full year under the Consent Decree, spending \$559.8 million on capital investments to meet Consent Decree requirements.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 \$4,797,346 in aviation area revenue during 2020 and maintenance facility rent from a regional affiliate accounted for \$706,521 of air cargo revenue in 2020. 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 2020. As of June 30, 2020, 97% of trade accounts receivable are due from these major airlines.

NOTE 18 - TRANSFERS

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 18 – TRANSFERS - Continued

Transfers To:	Transfers From:													
	Governmental Activities								Business-type Activities			Internal Service Funds		Total
	General Fund	Debt Service	Capital Projects	State Street Aid	City Court	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Convention Center	Public Assembly Facilities	Municipal Golf Courses	Fleet Maintenance	Equipment Replacement	
Primary Government:														
<i>Governmental Activities:</i>														
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 807,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 807,240
Debt Service	-	-	-	1,480,470	-	-	-	-	-	-	-	-	-	1,480,470
Capital Projects Fund	4,750,000	16,096,900	-	1,635,700	-	641,090	-	-	-	-	-	-	-	23,123,690
Miscellaneous Special Revenue Funds	196,540	-	-	-	-	-	-	-	-	-	-	-	-	196,540
Storm Water	3,180,970	-	-	-	-	-	-	-	-	-	-	-	-	3,180,970
Solid Waste	8,133,210	-	-	-	-	-	-	-	-	-	-	-	-	8,133,210
<i>Business-type Activities:</i>														
Convention Center	3,098,200	460,000	-	-	-	-	-	-	-	-	-	-	-	3,558,200
Public Assembly Facilities	2,666,640	-	-	-	-	-	-	-	-	-	-	-	-	2,666,640
Municipal Golf Courses	250,000	-	-	-	-	-	-	-	-	-	3,310	-	-	253,310
<i>Internal Service Funds:</i>														
Fleet Maintenance	34,685	500,000	200,000	-	-	-	-	57,186	-	59,651	-	-	-	851,522
Health Insurance	627,200	-	-	-	-	-	-	-	-	-	-	-	-	627,200
Equipment Replacement	263,874	-	646,792	-	-	7,290	2,270	18,301	29,120	-	-	12,341	27,270	1,007,258
	<u>\$ 23,201,319</u>	<u>\$ 17,056,900</u>	<u>\$ 846,792</u>	<u>\$ 3,116,170</u>	<u>\$ 807,240</u>	<u>\$ 648,380</u>	<u>\$ 2,270</u>	<u>\$ 75,487</u>	<u>\$ 29,120</u>	<u>\$ 59,651</u>	<u>\$ 3,310</u>	<u>\$ 12,341</u>	<u>\$ 27,270</u>	<u>\$ 45,886,250</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 19 - RETIREMENT AND DISABILITY PLANS

City of Knoxville Pension System

General Information about the Pension Plan

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

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

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

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

Board of Education Division - The City of Knoxville School System was abolished effective July 1, 1987 and absorbed into the operations of the Knox County School System. A court ruling has held and the Tennessee Court of Appeals has affirmed that the City is liable for the accrued pension liability, through June 30, 1987, for those former City School employees who remain in the City of Knoxville Pension System. Because of the abolition of the City School System, the Board of Education Division of the City of Knoxville Pension System has, in substance, been terminated. The City is responsible for any unfunded pension liability for the benefits that former City School employees would be entitled to if their earned benefits were frozen at July 1, 1987. A contribution was made for this department of \$2,532,608 for 2020.

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms - Membership of the Plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Active participants	1,428
Vested terminated participants	126
Retired participants	<u>2,062</u>
Total	<u>3,616</u>

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

The recommended contributions are determined using the entry age normal funding method. Unfunded actuarial accrued liabilities are being amortized over a thirty year period, of which 18 years remain at July 1, 2019. Projected covered payroll for the year beginning July 1, 2019 amounted to approximately \$73,684,027. The ratio of the net pension liability to the covered payroll was 288.20%.

The contributions for the year ended June 30, 2020 were based on the actuarial valuation as of July 1, 2019 (2019 contributions were based on the July 1, 2018 valuation). The table below shows the contribution rates as percentages of covered payroll.

<u>Plan</u>	<u>2020</u>	<u>2019</u>
C	17.71%	17.80%
A, B, G	7.27%	7.22%
H, general government	8.01%	8.69%
H, uniformed	12.89%	13.75%

amortization payments made by Plan, are as follows:

<u>Plan</u>	<u>2020</u>	<u>2019</u>
C	\$ 12,355,524	\$ 11,994,900
A, B, G (general government)	\$ 5,138,755	\$ 4,977,300
A, B (education)	\$ 2,352,608	\$ 2,441,800

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, 2020 and 2019 were \$89,022 and \$109,836, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Actuarial assumptions: The total pension liability in the July 1, 2019 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	18 years
Asset valuation method	Fair value, adjusted for a 10-year phase-in of each year's difference between actual and expected value; 80% - 120% limitations
Cost of living adjustment	3.5% per annum for all except Division H; 3.0% per annum for Division H
Investment rate of return	5.5% per annum for Division H; 7.25% per annum for all other divisions
Inflation	2.5% per annum

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

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

In the July 1, 2019 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, 2019 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, 2019 are summarized in the following table:

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Asset Class	30-Year Expected Nominal Return*	30-Year Expected Real Return
Large Cap Value Stocks	6.60 %	4.10 %
Large Cap Growth Stocks	6.50	4.00
Small-Mid Cap Growth Stocks	7.40	4.90
Small-Mid Cap Value Stocks	7.50	5.00
Developed International Value Stocks	6.80	4.30
Global Low Volatility	6.60	4.10
Emerging Markets Debt	5.00	2.50
Emerging Markets Stocks	7.20	4.70
Defensive Equity	5.70	3.20
Core Fixed Income	3.20	0.70
Long-Term Government Fixed Income	1.80	(0.70)
TIPS	2.30	(0.20)
Private Equity	11.20	8.70
Risk Parity	4.40	1.90
Core Real Estate	5.60	3.10
Real Assets	4.00	1.50

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2019 (July 1, 2018 measurement)	\$ 794,638,156	\$ 590,587,973	\$ 204,050,183
Changes for the year:			
Service cost	12,952,601	-	12,952,601
Interest expense	56,382,047	-	56,382,047
Experience losses (gains)	2,137,323	-	2,137,323
Change of assumptions	-	-	-
Contributions - City	-	28,710,668	(28,710,668)
Contributions - members	-	4,290,930	(4,290,930)
Net investment income (loss)	-	30,792,467	(30,792,467)
Refunds of contributions	(597,616)	(597,616)	-
Benefits paid	(46,951,343)	(46,951,343)	-
Plan administrative expenses	-	(665,290)	665,290
Net changes	23,923,012	15,579,816	8,343,196
Balances at June 30, 2020 (July 1, 2019 measurement)	\$ 818,561,168	\$ 606,167,789	\$ 212,393,379

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	\$ 307,951,806	\$ 212,393,379	\$ 132,566,968

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the City recognized pension expense of \$38,739,791. At June 30, 2020, 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	\$ 2,665,115	\$ 4,370,100
Change in assumptions	11,980,286	-
Net difference between projected and actual earnings on investments	17,143,217	-
Change in proportion between Government-wide and Business-type Activities	528,767	528,767
Contributions made subsequent to the measurement date	29,167,107	-
Total	<u>\$ 61,484,492</u>	<u>\$ 4,898,867</u>

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

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

For the year ending June 30,	
2021	11,854,987
2022	2,702,937
2023	6,799,988
2024	5,449,928
2025	305,332
Thereafter	305,346

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, 2020, the City reported no contributions payable to the pension plan required for the year ended June 30, 2020.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Component Units

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

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

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

KAT's contributions for each employee (and investment income allocated to the employees' account) are vested after five years of employment. Under the terms of the plan, employer contributions are determined annually by the Board of Directors. There are no minimum required employer contributions under the terms of the plan. Employee contributions are optional. Employer contributions totaled \$427,227 in fiscal 2020.

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 \$131,345 in fiscal 2020.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the City and the retirees contributed \$1,066,425.

Employees covered by the benefit terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Active participants (covered)	1,315
Active participants (not covered)	208
Retired participants (covered)	<u>89</u>
Total	<u><u>1,612</u></u>

Total OPEB Liability

The City's total OPEB liability of \$15,737,674 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, 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:

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

Changes in the Total OPEB liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2019 (June 30, 2019 measurement)	\$ 15,721,022
Changes for the year:	
Service cost	655,914
Interest expense	427,163
Benefits paid	<u>(1,066,425)</u>
Net changes	<u>16,652</u>
Balances at June 30, 2020 (July 1, 2020 measurement)	\$ 15,737,674

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.

	<u>1% Decrease (1.79%)</u>	<u>Current Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
Total OPEB Liability	\$ 16,898,521	\$ 15,737,674	\$ 14,650,981

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:

	<u>1% Decrease 6.5% decreasing to 5.75% over 3 years and following the Getzen model thereafter</u>	<u>Current 7.5% decreasing to 6.75% over 3 years and following the Getzen model thereafter</u>	<u>1% Increase 8.5% decreasing to 7.75% over 3 years and following the Getzen model thereafter</u>
Total OPEB Liability	\$ 13,932,293	\$ 15,737,674	\$ 17,877,227

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the City recognized OPEB expense of \$1,559,153. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 3,135,623	\$ 182,495
Change in assumptions	<u>379,410</u>	<u>-</u>
Total	<u>\$ 3,515,033</u>	<u>\$ 182,495</u>

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

For the year ending June 30,	
<u> </u>	
2021	476,076
2022	476,076
2023	476,076
2024	476,076
2025	476,076
Thereafter	952,158

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

Component Units

Knoxville Utilities Board

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

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

Metropolitan Knoxville Airport Authority and Knoxville Area Transit

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

NOTE 21 - RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

Amounts billed by the Knoxville Utilities Board to the City of Knoxville for electric, gas, water and sewer service	\$12,615,466
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	20,036,911
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	1,721,989
Subsidies paid by the City to Knoxville Area Transit	8,587,940

NOTE 22 - TAX ABATEMENTS

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

The Industrial Development Board of the City of Knoxville (City IDB) performs public functions on behalf of the City of Knoxville. Authorized by Tennessee Code Annotated (TCA) Section 7-53-305, a provision of the Tennessee Industrial Development Corporations Act, the City IDB undertakes financing and development of projects deemed to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board acts as a conduit organization for property tax abatements through PILOT agreements. The abatement, which may be as much as 100% of the standard real and/or personal property taxes, may be granted to any qualified business located within or relocating to property within the boundaries of the City limits. The City currently has 62 active PILOT agreements, with an estimated \$3,559,471 abated in fiscal 2020.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 22 - TAX ABATEMENTS - Continued

The nonprofit organization, Knoxville Community Development Corporation (KCDC), is the official redevelopment agency for the City of Knoxville. Through a Cooperation Agreement with the City of Knoxville, KCDC manages 9 PILOT agreements. These agreements are for the development of affordable housing within Knox County and the City of Knoxville. Additionally, authorized by Tennessee Code Annotated (TCA) Section 9-23-101, the Uniformity in Tax Increment Financing Act of 2012, its board of directors oversee the approval of TIF loans within the City's redevelopment areas. The City remits the incremental portion of the levied taxes as payment to the issuer of the TIF loan. The portion of the tax levy that is allocated for debt service is not affected. The City currently has 30 active TIF agreements, with \$2,714,488 abated in 2020.

City of Knoxville Tax Abatements			
	PILOT	TIF	Total
2020	\$ 3,559,471	\$ 2,714,488	\$ 6,273,959
1 - 5 years	12,659,293	12,835,049	25,494,342
6 - 10 years	8,425,395	7,946,753	16,372,148
11 - 15 years	4,034,086	5,455,713	9,489,799
16 - 20 years	1,693,173	4,926,188	6,619,361
20 + years	1,369,784	703,016	2,072,800
Total Taxes Abated Over the Next 20+ years	<u>\$ 31,741,202</u>	<u>\$ 34,581,207</u>	<u>\$ 66,322,409</u>

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

NOTE 23 – RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

NOTE 24 – 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.

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2020

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Outstanding 7/1/2019:	Issued During Period:	Paid and/or Matured During Period:	Refunded During Period:	Outstanding 6/30/2020:
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	\$ 1,430,000	\$ -	\$ 1,430,000	\$ -	\$ -
General Obligation - Refunding Series 2012	40,862,000	1.0% - 5.0%	5/30/2012	5/1/2025	16,547,480	-	2,461,380	-	14,086,100
General Obligation - Series 2014	31,080,000	2.8% - 3.2%	10/10/2014	5/1/2034	26,750,000	-	1,350,000	-	25,400,000
General Obligation - Series 2018	14,625,000	3.0% - 5.0%	6/19/2018	5/1/2028	13,335,000	-	1,265,000	-	12,070,000
Total Bonds Payable (Through Debt Service Fund)	<u>\$ 100,292,000</u>				<u>\$ 58,062,480</u>	<u>\$ -</u>	<u>\$ 6,506,380</u>	<u>\$ -</u>	<u>\$ 51,556,100</u>
Note Payable (Through Miscellaneous Special Revenue Funds)	\$ 2,900,000	LIBOR plus 20 basis points	6/15/2016	7/15/2035	\$ 2,900,000	\$ -	\$ 170,000	\$ -	\$ 2,730,000
Total Governmental Activities	<u>\$ 103,192,000</u>				<u>\$ 60,962,480</u>	<u>\$ -</u>	<u>\$ 6,676,380</u>	<u>\$ -</u>	<u>\$ 54,286,100</u>
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	\$ 3,575,000	\$ -	\$ 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	31,087,520	-	2,263,620	-	28,823,900
Total Bonds Payable (Through Knoxville Convention Center Fund)	<u>\$ 135,003,000</u>				<u>\$ 94,632,520</u>	<u>\$ -</u>	<u>\$ 5,838,620</u>	<u>\$ -</u>	<u>\$ 88,793,900</u>
Total Business Type Activities	<u>\$ 135,003,000</u>				<u>\$ 94,632,520</u>	<u>\$ -</u>	<u>\$ 5,838,620</u>	<u>\$ -</u>	<u>\$ 88,793,900</u>

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

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

CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2020Schedule of Changes in Net Pension Liability and Related Ratios - City of Knoxville Pension System
(Dollar Amounts in Millions)

Unaudited - See Independent Auditor's Report

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

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

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

CITY OF KNOXVILLE, TENNESSEE

**Required Supplementary Information
June 30, 2020**

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

Unaudited - See Independent Auditor's Report

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

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

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

Schedule of Employer Contributions - Knoxville Utilities Board

Unaudited - See Independent Auditor's Report

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

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

CITY OF KNOXVILLE, TENNESSEE

**Required Supplementary Information
June 30, 2020**

Schedule of Changes in Total OPEB Liability and Related Ratios

Unaudited - See Independent Auditor's Report

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

Notes to Schedule

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

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

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

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

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Nonmajor Governmental Funds

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

Special Revenue Funds

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

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.
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CITY OF KNOXVILLE, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds					
	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Assets						
Cash and cash equivalents	\$ 360,806	\$ 10,689	\$ 1,756	\$ 2,396	\$ 502,704	\$ 171,585
Investments	2,092,448	-	450,692	1,072,737	631,332	-
Accounts receivable	1,054,370	422,692	2,523	12,009	42,618	669,862
Notes receivable	-	1,465,831	-	-	-	-
Inventories	452,423	47,857	-	-	-	-
Due from other funds	-	-	-	-	-	50,000
Total assets	<u>\$ 3,960,047</u>	<u>\$ 1,947,069</u>	<u>\$ 454,971</u>	<u>\$ 1,087,142</u>	<u>\$ 1,176,654</u>	<u>\$ 891,447</u>
Liabilities						
Accounts payable	\$ 295,673	\$ 228,552	\$ 36,202	\$ 20,949	\$ 29,501	\$ 129,483
Accrued liabilities	-	19,568	14,890	83,921	25,561	18,582
Customer deposits	-	25,261	-	-	-	-
Due to other funds	-	160,000	2,500	7,000	-	570,500
Due to other governmental agencies	-	-	-	-	12,611	-
Total liabilities	<u>295,673</u>	<u>433,381</u>	<u>53,592</u>	<u>111,870</u>	<u>67,673</u>	<u>718,565</u>
Deferred inflows of resources						
Unavailable revenue - other	-	1,465,831	-	-	-	50,333
Total deferred inflows of resources	<u>-</u>	<u>1,465,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,333</u>
Fund balances						
Non-spendable	452,423	47,857	-	-	-	-
Restricted	3,211,951	-	-	-	-	122,549
Committed	-	-	401,379	975,272	1,108,981	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>3,664,374</u>	<u>47,857</u>	<u>401,379</u>	<u>975,272</u>	<u>1,108,981</u>	<u>122,549</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,960,047</u>	<u>\$ 1,947,069</u>	<u>\$ 454,971</u>	<u>\$ 1,087,142</u>	<u>\$ 1,176,654</u>	<u>\$ 891,447</u>

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

Special Revenue Funds (continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
\$ -	\$ 577,677	\$ 368,501	\$ 686	\$ 8	\$ 1,996,808	\$ 419,575	\$ 2,416,383
720,524	6,821,042	1,244,244	5,657,090	16,667	18,706,776	516,248	19,223,024
501	109,251	1,156	106,875	-	2,421,857	-	2,421,857
-	2,730,000	-	-	-	4,195,831	-	4,195,831
-	-	-	-	-	500,280	-	500,280
-	82	-	-	-	50,082	-	50,082
<u>\$ 721,025</u>	<u>\$ 10,238,052</u>	<u>\$ 1,613,901</u>	<u>\$ 5,764,651</u>	<u>\$ 16,675</u>	<u>\$ 27,871,634</u>	<u>\$ 935,823</u>	<u>\$ 28,807,457</u>
\$ 694	\$ 51,793	\$ 18,439	\$ 1,363,719	\$ -	\$ 2,175,005	\$ -	\$ 2,175,005
-	32,514	92,830	26,099	-	313,965	-	313,965
-	704,327	49,900	-	-	779,488	-	779,488
-	82,843	5,000	10,000	16,675	854,518	-	854,518
-	6,049	-	-	-	18,660	-	18,660
<u>694</u>	<u>877,526</u>	<u>166,169</u>	<u>1,399,818</u>	<u>16,675</u>	<u>4,141,636</u>	<u>-</u>	<u>4,141,636</u>
-	2,730,000	-	-	-	4,246,164	-	4,246,164
-	2,730,000	-	-	-	4,246,164	-	4,246,164
-	-	-	-	-	500,280	624,065	1,124,345
-	3,420,147	-	4,364,833	-	11,119,480	311,758	11,431,238
720,331	2,473,249	1,447,732	-	-	7,126,944	-	7,126,944
-	737,130	-	-	-	737,130	-	737,130
-	-	-	-	-	-	-	-
<u>720,331</u>	<u>6,630,526</u>	<u>1,447,732</u>	<u>4,364,833</u>	<u>-</u>	<u>19,483,834</u>	<u>935,823</u>	<u>20,419,657</u>
<u>\$ 721,025</u>	<u>\$ 10,238,052</u>	<u>\$ 1,613,901</u>	<u>\$ 5,764,651</u>	<u>\$ 16,675</u>	<u>\$ 27,871,634</u>	<u>\$ 935,823</u>	<u>\$ 28,807,457</u>

CITY OF KNOXVILLE, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	\$ 6,356,931	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits & inspection charges	-	-	-	2,978,069	-	-
Intergovernmental	-	2,447,230	-	-	266,677	1,685,276
Charges for services	-	-	336,579	-	30,075	-
Fines & forfeitures	-	-	-	-	1,480,290	-
Other	6,002	170,285	323,351	15,711	30,201	1,717
Total revenues	<u>6,362,933</u>	<u>2,617,515</u>	<u>659,930</u>	<u>2,993,780</u>	<u>1,807,243</u>	<u>1,686,993</u>
Expenditures						
Current:						
Administration	-	-	-	-	-	24,000
Finance	-	-	-	-	-	-
Community Development	-	2,617,515	-	-	-	87,452
Parks and Recreation	-	-	-	-	-	1,557
Engineering	2,324,764	-	845,269	-	-	6,246
Public Services	-	-	-	2,810,760	-	8,926
Law	-	-	-	-	929,400	-
Police	-	-	-	-	-	1,540,860
Emergency Management	-	-	-	-	-	17,792
Fire	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	<u>2,324,764</u>	<u>2,617,515</u>	<u>845,269</u>	<u>2,810,760</u>	<u>929,400</u>	<u>1,686,833</u>
Excess (deficiency) of revenues over (under) expenditures	4,038,169	-	(185,339)	183,020	877,843	160
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(3,116,170)	-	-	-	(807,240)	-
Total other financing sources (uses)	<u>(3,116,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(807,240)</u>	<u>-</u>
Net changes in fund balances	921,999	-	(185,339)	183,020	70,603	160
Fund balances - beginning	<u>2,742,375</u>	<u>47,857</u>	<u>586,718</u>	<u>792,252</u>	<u>1,038,378</u>	<u>122,389</u>
Fund balances - ending	<u>\$ 3,664,374</u>	<u>\$ 47,857</u>	<u>\$ 401,379</u>	<u>\$ 975,272</u>	<u>\$ 1,108,981</u>	<u>\$ 122,549</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,356,931	\$ -	\$ 6,356,931
-	-	-	-	-	2,978,069	-	2,978,069
-	136,487	-	58,963	-	4,594,633	-	4,594,633
32,363	43,151	382,829	1,915,361	199,998	2,940,356	-	2,940,356
-	945,237	-	-	-	2,425,527	-	2,425,527
10,982	353,774	15,691	164,728	-	1,092,442	(10,466)	1,081,976
43,345	1,478,649	398,520	2,139,052	199,998	20,387,958	(10,466)	20,377,492
-	-	-	-	-	24,000	-	24,000
-	-	-	-	199,998	199,998	-	199,998
-	241,414	-	-	-	2,946,381	-	2,946,381
-	50,658	-	-	-	52,215	-	52,215
-	-	3,251,013	-	-	6,427,292	-	6,427,292
10,249	-	-	9,780,715	-	12,610,650	-	12,610,650
-	-	-	-	-	929,400	-	929,400
-	1,100,240	-	-	-	2,641,100	-	2,641,100
-	5,135	-	-	-	22,927	-	22,927
-	8,045	-	-	-	8,045	-	8,045
-	4,675	-	-	-	4,675	-	4,675
10,249	1,410,167	3,251,013	9,780,715	199,998	25,866,683	-	25,866,683
33,096	68,482	(2,852,493)	(7,641,663)	-	(5,478,725)	(10,466)	(5,489,191)
-	196,540	3,180,970	8,133,210	-	11,510,720	-	11,510,720
-	(648,380)	(2,270)	(75,487)	-	(4,649,547)	-	(4,649,547)
-	(451,840)	3,178,700	8,057,723	-	6,861,173	-	6,861,173
33,096	(383,358)	326,207	416,060	-	1,382,448	(10,466)	1,371,982
687,235	7,013,884	1,121,525	3,948,773	-	18,101,386	946,289	19,047,675
\$ 720,331	\$ 6,630,526	\$ 1,447,732	\$ 4,364,833	\$ -	\$ 19,483,834	\$ 935,823	\$ 20,419,657

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, assessments, interest & penalties	\$ 6,631,170	\$ 6,631,170	\$ 6,356,931	\$ (274,239)
Other	22,000	22,000	6,002	(15,998)
Total revenues	6,653,170	6,653,170	6,362,933	(290,237)
Expenditures				
Current:				
Engineering	3,537,000	3,537,000	2,324,764	1,212,236
Total expenditures	3,537,000	3,537,000	2,324,764	1,212,236
Excess (deficiency) of revenues over (under) expenditures	3,116,170	3,116,170	4,038,169	921,999
Other financing sources (uses)				
Transfers out	(3,116,170)	(3,116,170)	(3,116,170)	-
Total other financing sources (uses)	(3,116,170)	(3,116,170)	(3,116,170)	-
Net change in fund balances	\$ -	\$ -	921,999	\$ 921,999
Fund balance - beginning			2,742,375	
Fund balance - ending			<u>\$ 3,664,374</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GAAP BASIS
COMMUNITY DEVELOPMENT BLOCK GRANTS
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 1,609,010	\$ 2,109,010	\$ 2,447,230	\$ 338,220
Other	150,000	150,000	170,285	20,285
Total revenues	1,759,010	2,259,010	2,617,515	358,505
Expenditures:				
Current:				
Community Development	2,139,590	2,639,590	2,617,515	22,075
Total expenditures	2,139,590	2,639,590	2,617,515	22,075
Excess (deficiency) of revenues over (under) expenditures	(380,580)	(380,580)	-	380,580
Other financing sources (uses)				
Appropriated fund balance	380,580	380,580	-	(380,580)
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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services:	\$ 443,920	\$ 443,920	\$ 336,579	\$ (107,341)
Other	409,100	409,100	323,351	(85,749)
Total revenues	<u>853,020</u>	<u>853,020</u>	<u>659,930</u>	<u>(193,090)</u>
Expenditures				
Current:				
Fleet	<u>853,020</u>	<u>853,020</u>	<u>845,269</u>	<u>7,751</u>
Total expenditures	<u>853,020</u>	<u>853,020</u>	<u>845,269</u>	<u>7,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(185,339)</u>	<u>(185,339)</u>
Other financing sources (uses)				
Transfers out	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(185,339)</u>	<u>\$ (185,339)</u>
Fund balance - beginning			<u>586,718</u>	
Fund balance - ending			<u>\$ 401,379</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY INSPECTIONS
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Licenses, permits & inspection charges	\$ 2,815,180	\$ 2,815,180	\$ 2,978,069	\$ 162,889
Other	11,290	11,290	15,711	4,421
Total revenues	<u>2,806,910</u>	<u>2,927,860</u>	<u>2,993,780</u>	<u>65,920</u>
Expenditures				
Current:				
Inspections	<u>2,806,910</u>	<u>2,927,860</u>	<u>2,810,760</u>	<u>117,100</u>
Total expenditures	<u>2,806,910</u>	<u>2,927,860</u>	<u>2,810,760</u>	<u>117,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>183,020</u>	<u>183,020</u>
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>183,020</u>	<u>\$ 183,020</u>
Fund balance - beginning			<u>792,252</u>	
Fund balance - ending			<u>\$ 975,272</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	\$ 356,080	\$ 356,080	\$ 266,677	\$ (89,403)
Charges for services	35,570	35,570	30,075	(5,495)
Fines & forfeitures	1,959,380	1,959,380	1,480,290	(479,090)
Other	36,350	36,350	30,201	(6,149)
Total revenues	<u>2,387,380</u>	<u>2,387,380</u>	<u>1,807,243</u>	<u>(580,137)</u>
Expenditures				
Current:				
Law	1,080,140	1,080,140	929,400	150,740
Total expenditures	<u>1,080,140</u>	<u>1,080,140</u>	<u>929,400</u>	<u>150,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,307,240</u>	<u>1,307,240</u>	<u>877,843</u>	<u>(429,397)</u>
Other financing sources (uses)				
Transfers out	(1,307,240)	(1,307,240)	(807,240)	500,000
Total other financing sources (uses)	<u>(1,307,240)</u>	<u>(1,307,240)</u>	<u>(807,240)</u>	<u>500,000</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	70,603	<u>\$ 70,603</u>
Fund balance - beginning			<u>1,038,378</u>	
Fund balance - ending			<u>\$ 1,108,981</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ANIMAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 40,000	\$ 40,000	\$ 32,363	\$ (7,637)
Other	5,000	5,000	10,982	5,982
Total revenues	45,000	45,000	43,345	(1,655)
Expenditures				
Current:				
Public services	45,000	45,000	10,249	34,751
Total expenditures	45,000	45,000	10,249	34,751
Excess (deficiency) of revenues over (under) expenditures	-	-	33,096	33,096
Net change in fund balances	\$ -	\$ -	33,096	\$ 33,096
Fund balances - beginning			687,235	
Fund balances - ending			\$ 720,331	

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 67,500	\$ 67,500	\$ 136,487	\$ 68,987
Charges for services	57,180	57,180	43,151	(14,029)
Fines & forfeitures	1,168,160	1,168,160	945,237	(222,923)
Other	196,080	272,896	353,774	80,878
Total revenues	<u>1,488,920</u>	<u>1,565,736</u>	<u>1,478,649</u>	<u>(87,087)</u>
Expenditures				
Current:				
Community Development	13,500	249,000	241,414	7,586
Parks and Recreation	82,750	104,962	50,658	54,304
Police	1,556,970	1,602,574	1,100,240	502,334
Emergency Management	-	5,600	5,135	465
Fire	11,500	17,500	8,045	9,455
Legislative	55,000	155,000	4,675	150,325
Total expenditures	<u>1,719,720</u>	<u>2,134,636</u>	<u>1,410,167</u>	<u>724,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(230,800)</u>	<u>(568,900)</u>	<u>68,482</u>	<u>637,382</u>
Other financing sources (uses)				
Transfers in	196,280	222,260	196,540	(25,720)
Transfers out	(641,090)	(648,380)	(648,380)	-
Appropriated fund balance	675,610	995,020	-	(995,020)
Total other financing sources (uses)	<u>230,800</u>	<u>568,900</u>	<u>(451,840)</u>	<u>(1,020,740)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(383,358)</u>	<u>\$ (383,358)</u>
Fund balances - beginning			<u>7,013,884</u>	
Fund balances - ending			<u>\$ 6,630,526</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
STORM WATER
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 226,250	\$ 226,250	\$ 382,829	\$ 156,579
Other	10,000	26,979	15,691	(11,288)
Total revenues	<u>236,250</u>	<u>253,229</u>	<u>398,520</u>	<u>145,291</u>
Expenditures				
Current:				
Engineering	<u>3,417,220</u>	<u>3,431,919</u>	<u>3,251,013</u>	<u>180,906</u>
Total expenditures	<u>3,417,220</u>	<u>3,431,919</u>	<u>3,251,013</u>	<u>180,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,180,970)</u>	<u>(3,178,690)</u>	<u>(2,852,493)</u>	<u>326,197</u>
Other financing sources (uses)				
Transfers in	3,180,970	3,180,970	3,180,970	-
Transfers out	-	(2,280)	(2,270)	10
Total other financing sources (uses)	<u>3,180,970</u>	<u>3,178,690</u>	<u>3,178,700</u>	<u>10</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>326,207</u>	<u>\$ 326,207</u>
Fund balance - beginning			<u>1,121,525</u>	
Fund balance - ending			<u>\$ 1,447,732</u>	

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
SOLID WASTE
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 1,610,000	\$ 1,610,000	\$ 1,915,361	\$ 305,361
Intergovernmental	80,000	80,000	58,963	(21,037)
Other	205,000	205,000	164,728	(40,272)
Total revenues	<u>1,895,000</u>	<u>1,895,000</u>	<u>2,139,052</u>	<u>244,052</u>
Expenditures				
Current:				
Public Services	<u>10,028,210</u>	<u>10,031,050</u>	<u>9,780,715</u>	<u>250,335</u>
Total expenditures	<u>10,028,210</u>	<u>10,031,050</u>	<u>9,780,715</u>	<u>250,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,133,210)</u>	<u>(8,136,050)</u>	<u>(7,641,663)</u>	<u>(6,283)</u>
Other financing sources (uses)				
Transfers in	8,133,210	8,133,210	8,133,210	-
Transfers out	-	(75,500)	(75,487)	13
Appropriated fund balance	-	78,340	-	(78,340)
Total other financing sources (uses)	<u>8,133,210</u>	<u>8,136,050</u>	<u>8,057,723</u>	<u>(78,327)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	416,060	<u>\$ (84,610)</u>
Fund balance - beginning			<u>3,948,773</u>	
Fund balance - ending			<u>\$ 4,364,833</u>	

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

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CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2020

Assets

Cash and cash equivalents	\$ 5,578,997
Investments	50,526,083
Accounts receivable	213,436
Taxes receivable	25,304,952
Due from other funds	520,500
Total assets	<u>\$ 82,143,968</u>

Liabilities

Due to other governmental agencies	\$ 2,582
Total liabilities	<u>2,582</u>

Deferred inflows of resources

Unavailable revenue - property taxes	<u>24,911,895</u>
Total deferred inflows of resources	<u>24,911,895</u>

Fund balances

Committed	<u>57,229,491</u>
Total fund balance	<u>57,229,491</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 82,143,968</u>

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes, assessments, interest & penalties	\$ 23,614,830	\$ 23,614,830	\$ 23,718,291	\$ 103,461
Other	586,010	586,010	4,298,644	3,712,634
Total revenues	<u>24,200,840</u>	<u>24,200,840</u>	<u>28,016,935</u>	<u>3,816,095</u>
Expenditures				
Current:				
Debt service:				
Principal retirement	6,331,980	6,506,380	6,506,380	-
Interest payments on bonds & notes	<u>2,292,430</u>	<u>2,118,030</u>	<u>1,882,499</u>	<u>235,531</u>
Total expenditures	<u>8,624,410</u>	<u>8,624,410</u>	<u>8,388,879</u>	<u>235,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,576,430</u>	<u>15,576,430</u>	<u>19,628,056</u>	<u>4,051,626</u>
Other financing sources (uses)				
Transfers in	1,480,470	1,480,470	1,480,470	-
Transfers out	<u>(17,056,900)</u>	<u>(17,056,900)</u>	<u>(17,056,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,576,430)</u>	<u>(15,576,430)</u>	<u>(15,576,430)</u>	<u>-</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	4,051,626	<u>\$ 4,051,626</u>
Fund balance - beginning			<u>53,177,865</u>	
Fund balance - ending			<u>\$ 57,229,491</u>	

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

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2020

Assets

Cash and cash equivalents	\$ 502,216
Investments	96,528,995
Accounts receivable	5,925,851
Inventory	6,378
Due from other funds	6,250,000
Total assets	<u>\$ 109,213,440</u>

Liabilities

Accounts payable	\$ 8,690,653
Accrued liabilities	2,546,594
Due to other funds	14,350,000
Total liabilities	<u>25,587,247</u>

Deferred inflows of resources

Unavailable revenue - other	<u>1,824,654</u>
Total deferred inflows of resources	<u>1,824,654</u>

Fund balance

Nonspendable	6,378
Committed	<u>81,795,161</u>
Total fund balance	<u>81,801,539</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 109,213,440</u>

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

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FROM INCEPTION
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Actual</u>		<u>Total</u>	<u>Project</u>	<u>Variance</u>
	<u>Prior Years</u>	<u>Current Year</u>	<u>to Date</u>	<u>Authorization</u>	<u>With Final Budget</u>
Revenues					
Intergovernmental	\$ 41,673,314	\$ 5,338,221	\$ 47,011,535	\$ 88,583,343	\$ (41,571,808)
Other	35,986,507	4,600,649	40,587,156	25,363,957	15,223,199
Total revenues	<u>77,659,821</u>	<u>9,938,870</u>	<u>87,598,691</u>	<u>113,947,300</u>	<u>(26,348,609)</u>
Expenditures					
Current:					
Capital & grant projects	<u>374,359,226</u>	<u>48,307,067</u>	<u>422,666,293</u>	<u>508,887,025</u>	<u>86,220,732</u>
Total expenditures	<u>374,359,226</u>	<u>48,307,067</u>	<u>422,666,293</u>	<u>508,887,025</u>	<u>86,220,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(296,699,405)</u>	<u>(38,368,197)</u>	<u>(335,067,602)</u>	<u>(394,939,725)</u>	<u>59,872,123</u>
Other financing sources (uses)					
Bonds proceeds	46,745,932	-	46,745,932	110,014,407	(63,268,475)
Debt issue premium	527,039	-	527,039	-	527,039
Transfers in	281,642,046	23,123,690	304,765,736	284,925,318	19,840,418
Transfers out	<u>(5,314,571)</u>	<u>(846,792)</u>	<u>(6,161,363)</u>	<u>-</u>	<u>(6,161,363)</u>
Total other financing sources (uses)	<u>323,600,446</u>	<u>22,276,898</u>	<u>345,877,344</u>	<u>394,939,725</u>	<u>(49,062,381)</u>
Net changes in fund balance	<u>\$ 26,901,041</u>	<u>(16,091,299)</u>	<u>\$ 10,809,742</u>	<u>\$ -</u>	<u>\$ 10,809,742</u>
Fund balance - beginning		<u>97,892,838</u>			
Fund balance - ending		<u>\$ 81,801,539</u>			

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

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Nonmajor Enterprise Funds

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

Metro Parking Fund

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

Public Assembly Facilities Fund

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

Municipal Golf Courses

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2020

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash & temporary investments	\$ 2,416	\$ 1,697,173	\$ 516,772	\$ 2,216,361
Investments	6,653,604	3,962,666	83,999	10,700,269
Accounts receivable	196,124	102,009	-	298,133
Due from other funds	-	2,355,200	-	2,355,200
Inventories	-	1,500	17,410	18,910
Prepaid items	-	24,840	12,315	37,155
Total current assets	<u>6,852,144</u>	<u>8,143,388</u>	<u>630,496</u>	<u>15,626,028</u>
Noncurrent assets				
Land and site improvements	2,079,796	1,831,368	473,119	4,384,283
Buildings and improvements	40,767,752	31,292,441	-	72,060,193
Equipment, furniture and fixtures	1,125,967	3,721,216	126,412	4,973,595
Infrastructure and site improvements	-	118,960	1,014,584	1,133,544
Less: accumulated depreciation	<u>(20,438,718)</u>	<u>(20,760,066)</u>	<u>(351,355)</u>	<u>(41,550,139)</u>
Total capital assets (net of accumulated depreciation)	23,534,797	16,203,919	1,262,760	41,001,476
Equity interest in joint venture	-	-	-	-
Total noncurrent assets	<u>23,534,797</u>	<u>16,203,919</u>	<u>1,262,760</u>	<u>41,001,476</u>
Total assets	<u>30,386,941</u>	<u>24,347,307</u>	<u>1,893,256</u>	<u>56,627,504</u>
Liabilities				
Current liabilities				
Accounts payable	98,815	250,901	171,043	520,759
Accrued liabilities	11,410	941,300	-	952,710
Unearned revenue	-	142,256	22,455	164,711
Due to other funds	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total current liabilities	<u>140,225</u>	<u>1,334,457</u>	<u>193,498</u>	<u>1,668,180</u>
Total liabilities	<u>140,225</u>	<u>1,334,457</u>	<u>193,498</u>	<u>1,668,180</u>
Deferred inflows of resources				
Pensions	-	528,767	-	528,767
Total deferred inflows of resources	<u>-</u>	<u>528,767</u>	<u>-</u>	<u>528,767</u>
Net position				
Net investment in capital assets	23,534,797	16,203,919	1,262,760	41,001,476
Unrestricted	<u>6,711,919</u>	<u>6,280,164</u>	<u>436,998</u>	<u>13,429,081</u>
Total net position	<u>\$ 30,246,716</u>	<u>\$ 22,484,083</u>	<u>\$ 1,699,758</u>	<u>\$ 54,430,557</u>

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

CITY OF KNOXVILLE, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 3,945,163	\$ 2,787,566	\$ 1,109,598	\$ 7,842,327
Total operating revenues	<u>3,945,163</u>	<u>2,787,566</u>	<u>1,109,598</u>	<u>7,842,327</u>
Operating expenses				
Personal services	213,170	-	-	213,170
Materials & supplies	149,355	281,495	-	430,850
Depreciation & amortization	1,563,994	567,365	56,679	2,188,038
Other operating expenses	<u>2,665,245</u>	<u>2,590,226</u>	<u>1,187,683</u>	<u>6,443,154</u>
Total operating expenses	<u>4,591,764</u>	<u>3,439,086</u>	<u>1,244,362</u>	<u>9,275,212</u>
Operating income (loss)	<u>(646,601)</u>	<u>(651,520)</u>	<u>(134,764)</u>	<u>(1,432,885)</u>
Nonoperating revenue (expense)				
Interest income	106,640	73,467	4,672	184,779
Intergovernmental revenue	-	25,000	-	25,000
Other revenues	<u>-</u>	<u>222,062</u>	<u>7,526</u>	<u>229,588</u>
Total nonoperating revenue (expense)	<u>106,640</u>	<u>320,529</u>	<u>12,198</u>	<u>439,367</u>
Income (loss) before transfers and capital contributions	<u>(539,961)</u>	<u>(330,991)</u>	<u>(122,566)</u>	<u>(993,518)</u>
Transfers in	-	2,666,640	253,310	2,919,950
Transfers out	-	(59,651)	(3,310)	(62,961)
Capital contributions	<u>185,506</u>	<u>64,313</u>	<u>-</u>	<u>249,819</u>
Change in net position	<u>(354,455)</u>	<u>2,340,311</u>	<u>127,434</u>	<u>2,113,290</u>
Fund balances - beginning	<u>30,601,171</u>	<u>20,143,772</u>	<u>1,572,324</u>	<u>52,317,267</u>
Fund balances - ending	<u>\$ 30,246,716</u>	<u>\$ 22,484,083</u>	<u>\$ 1,699,758</u>	<u>\$ 54,430,557</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Metro Parking</u>	<u>Public Assembly Facilities</u>	<u>Municipal Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating activities				
Cash received from customers and users	\$ 3,954,903	\$ 2,815,260	\$ 1,107,515	\$ 7,877,678
Cash paid to suppliers	(3,721,383)	(2,945,656)	(1,255,788)	(7,922,827)
Cash paid to employees	(212,566)	-	-	(212,566)
Net cash provided by (used in) operating activities	<u>20,954</u>	<u>(130,396)</u>	<u>(148,273)</u>	<u>(257,715)</u>
Noncapital financing activities				
Transfers from other funds	847,900	5,622,789	253,310	6,723,999
Transfers to other funds	-	-	(3,310)	(3,310)
Tax and intergovernmental revenues	-	311,375	7,526	318,901
Net cash provided by (used in) noncapital financing activities	<u>847,900</u>	<u>5,934,164</u>	<u>257,526</u>	<u>7,039,590</u>
Capital and related financing activities				
Acquisition and construction of capital assets	(824,899)	(5,620,659)	-	(6,445,558)
Net cash provided by (used in) capital and related financing activities	<u>(824,899)</u>	<u>(5,620,659)</u>	<u>-</u>	<u>(6,445,558)</u>
Investing activities				
Sales/(purchases) of investments, net	(149,574)	624,824	50,188	525,438
Investment earnings	106,640	73,467	4,672	184,779
Net cash provided by (used in) investing activities	<u>(42,934)</u>	<u>698,291</u>	<u>54,860</u>	<u>710,217</u>
Net increase (decrease) in cash and cash equivalents	<u>1,021</u>	<u>881,400</u>	<u>164,113</u>	<u>1,046,534</u>
Cash and cash equivalents				
Beginning of year	<u>1,395</u>	<u>815,773</u>	<u>352,659</u>	<u>1,169,827</u>
End of year	<u>\$ 2,416</u>	<u>\$ 1,697,173</u>	<u>\$ 516,772</u>	<u>\$ 2,216,361</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Metro Parking</u>	<u>Public Assembly Facilities</u>	<u>Municipal Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (646,601)	\$ (651,520)	\$ (134,764)	\$ (1,432,885)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,563,994	567,365	56,679	2,188,038
Pension expense (negative expense)	-	(264,385)	-	(264,385)
Change in assets and liabilities				
(Increase) decrease in receivables	9,740	(3,860)	62	5,942
(Increase) decrease in prepayments	-	(8,177)	1,266	(6,911)
(Increase) decrease in inventories	-	(1,500)	2,924	1,424
Increase (decrease) in accounts payable	(267,389)	(138,825)	(72,295)	(478,509)
Increase (decrease) in accrued expenses	604	330,775	-	331,379
Increase (decrease) in deferred revenue	-	39,731	(2,145)	37,586
Total adjustments	<u>1,306,949</u>	<u>521,124</u>	<u>(13,509)</u>	<u>1,814,564</u>
Net cash provided by (used in) operating activities	<u>\$ 660,348</u>	<u>\$ (130,396)</u>	<u>\$ (148,273)</u>	<u>\$ 381,679</u>

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

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Internal Service Funds

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

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2020

Assets	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Current assets						
Cash & temporary investments	\$ 2,267,338	\$ 41	\$ 107,893	\$ 4,508	\$ 1,196,883	\$ 3,576,663
Investments	54,580,859	37,407,612	25,730,169	22,209,339	61,535	139,989,514
Accounts receivable	22,817	36,688	2,014	-	28,350	89,869
Due from other funds	164,170	-	-	-	-	164,170
Inventories	1,324,205	-	-	-	-	1,324,205
Total current assets	58,359,389	37,444,341	25,840,076	22,213,847	1,286,768	145,144,421
Noncurrent assets						
Construction in process	-	-	-	1,876	-	1,876
Building & building improvements	257,391	-	-	-	-	257,391
Equipment	75,983,603	19,995	-	29,001,995	-	105,005,593
Less: accumulated depreciation	(47,634,652)	(19,995)	-	(15,910,063)	-	(63,564,710)
Total capital assets (net of accumulated depreciation)	28,606,342	-	-	13,093,808	-	41,700,150
Equity interest in joint venture	-	-	-	-	1,384,621	1,384,621
Total noncurrent assets	28,606,342	-	-	13,093,808	1,384,621	43,084,771
Total assets	86,965,731	37,444,341	25,840,076	35,307,655	2,671,389	188,229,192
Deferred outflows of resources						
Pensions	1,092,114	247,586	118,063	-	-	1,457,763
Total deferred outflows of resources	1,092,114	247,586	118,063	-	-	1,457,763
Liabilities						
Current liabilities						
Accounts payable	605,098	563,835	1,177,010	1,029,301	-	3,375,244
Accrued liabilities	257,090	56,216	36,402	-	-	349,708
Customer deposits	6,493	-	-	-	-	6,493
Due to other funds	-	1,670	-	162,500	-	164,170
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	868,681	5,721,721	1,213,412	1,191,801	-	8,995,615
Noncurrent liabilities						
Net pension liability	3,805,347	862,687	411,378	-	-	5,079,412
Estimated claims liability	-	12,600,000	2,750,000	-	-	15,350,000
Total noncurrent liabilities	3,805,347	13,462,687	3,161,378	-	-	20,429,412
Total liabilities	4,674,028	19,184,408	4,374,790	1,191,801	-	29,425,027
Deferred inflows of resources						
Pensions	78,297	17,750	8,464	-	-	104,511
Total deferred inflows of resources	78,297	17,750	8,464	-	-	104,511
Net position						
Net investment in capital assets	28,606,342	-	-	13,093,808	-	41,700,150
Unrestricted	54,699,178	18,489,769	21,574,885	21,022,046	2,671,389	118,457,267
Total net position	\$ 83,305,520	\$ 18,489,769	\$ 21,574,885	\$ 34,115,854	\$ 2,671,389	\$ 160,157,417

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, 2020

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Operating revenues						
Charges for services	\$ 16,834,115	\$ 6,569,690	\$ 20,082,032	\$ 2,885,240	\$ 2,522,897	\$ 48,893,974
Total operating revenues	<u>16,834,115</u>	<u>6,569,690</u>	<u>20,082,032</u>	<u>2,885,240</u>	<u>2,522,897</u>	<u>48,893,974</u>
Operating expenses						
Personal services	3,224,842	708,880	1,084,791	-	-	5,018,513
Materials & supplies	3,843,470	99,036	30,322	2,647	-	3,975,475
Depreciation & amortization	5,883,855	3,999	-	3,041,915	-	8,929,769
Other operating expenses	1,664,898	6,221,563	19,850,330	-	2,381,252	30,118,043
Total operating expenses	<u>14,617,065</u>	<u>7,033,478</u>	<u>20,965,443</u>	<u>3,044,562</u>	<u>2,381,252</u>	<u>48,041,800</u>
Operating income (loss)	<u>2,217,050</u>	<u>(463,788)</u>	<u>(883,411)</u>	<u>(159,322)</u>	<u>141,645</u>	<u>852,174</u>
Nonoperating revenue (expense)						
Investment income (loss)	822,805	598,101	410,594	348,422	2,901	2,182,823
Intergovernmental revenue	-	-	-	-	-	-
Other revenues (expenses)	534,887	599,078	68,321	(64,068)	-	1,138,218
Total nonoperating revenue (expense)	<u>1,357,692</u>	<u>1,197,179</u>	<u>478,915</u>	<u>284,354</u>	<u>2,901</u>	<u>3,321,041</u>
Income (loss) before transfers and capital contributions	<u>3,574,742</u>	<u>733,391</u>	<u>(404,496)</u>	<u>125,032</u>	<u>144,546</u>	<u>4,173,215</u>
Transfers in	851,522	-	627,200	1,007,258	-	2,485,980
Transfers out	(12,341)	-	-	(27,270)	-	(39,611)
Capital contributions	236,107	-	-	953,465	-	1,189,572
Change in net position	<u>4,650,030</u>	<u>733,391</u>	<u>222,704</u>	<u>2,058,485</u>	<u>144,546</u>	<u>7,809,156</u>
Total net position, beginning	<u>78,655,490</u>	<u>17,756,378</u>	<u>21,352,181</u>	<u>32,057,369</u>	<u>2,526,843</u>	<u>152,348,261</u>
Total net position, ending	<u>\$ 83,305,520</u>	<u>\$ 18,489,769</u>	<u>\$ 21,574,885</u>	<u>\$ 34,115,854</u>	<u>\$ 2,671,389</u>	<u>\$ 160,157,417</u>

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, 2020

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Operating activities						
Receipts from interfund services provided	\$ 16,835,304	\$ 6,895,372	\$ 20,122,968	\$ 2,888,482	\$ 2,718,305	\$ 49,460,431
Cash paid to suppliers	(6,076,913)	(6,320,599)	(30,322)	(5,889)	-	(12,433,723)
Cash paid to employees	(3,040,453)	(663,165)	(1,066,250)	-	-	(4,769,868)
Cash paid for interfund services used	-	201,217	371,981	-	(2,381,252)	(1,808,054)
Payments of claims and insurance	-	-	(19,848,910)	-	-	(19,848,910)
Net cash provided by (used in) operating activities	<u>7,717,938</u>	<u>112,825</u>	<u>(450,533)</u>	<u>2,882,593</u>	<u>337,053</u>	<u>10,599,876</u>
Noncapital financing activities						
Transfers from other funds	2,175,011	(147,330)	120,200	1,145,730	(225,000)	3,068,611
Tax and intergovernmental revenues	<u>534,887</u>	<u>599,078</u>	<u>68,321</u>	<u>(67,310)</u>	<u>-</u>	<u>1,134,976</u>
Net cash provided by (used in) noncapital financing activities	<u>2,709,898</u>	<u>451,748</u>	<u>188,521</u>	<u>1,078,420</u>	<u>(225,000)</u>	<u>4,203,587</u>
Capital and related financing activities						
Acquisition and construction of capital assets	(6,011,899)	-	-	(5,841,926)	-	(11,853,825)
Capital contributions	<u>236,107</u>	<u>-</u>	<u>-</u>	<u>953,465</u>	<u>-</u>	<u>1,189,572</u>
Net cash provided by (used in) capital and related financing activities	<u>(5,775,792)</u>	<u>-</u>	<u>-</u>	<u>(4,888,461)</u>	<u>-</u>	<u>(10,664,253)</u>
Investing activities						
Sales/(purchases) of investments, net	(3,907,524)	(1,164,593)	(41,363)	582,500	(15,451)	(4,546,431)
Investment earnings	822,805	598,101	410,594	348,422	2,901	2,182,823
Net change in equity investment in joint venture	-	-	-	-	23,988	23,988
Net cash provided by (used in) investing activities	<u>(3,084,719)</u>	<u>(566,492)</u>	<u>369,231</u>	<u>930,922</u>	<u>11,438</u>	<u>(2,339,620)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,567,325</u>	<u>(1,919)</u>	<u>107,219</u>	<u>3,474</u>	<u>123,491</u>	<u>1,799,590</u>
Cash and cash equivalents						
Beginning of year	<u>700,013</u>	<u>1,960</u>	<u>674</u>	<u>1,034</u>	<u>1,073,392</u>	<u>1,777,073</u>
End of year	<u>\$ 2,267,338</u>	<u>\$ 41</u>	<u>\$ 107,893</u>	<u>\$ 4,508</u>	<u>\$ 1,196,883</u>	<u>\$ 3,576,663</u>

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

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Reconciliation of operating income (loss)						
to net cash provided by						
(used in) operating activities						
Operating income (loss)	\$ 2,217,050	\$ (463,788)	\$ (883,411)	\$ (159,322)	\$ 141,645	\$ 852,174
Adjustments to reconcile operating income (loss)						
to net cash provided by (used in) operating						
activities:						
Depreciation	5,883,855	3,999	-	3,041,915	-	8,929,769
Pension expense (income)	171,509	38,882	18,541	-	-	228,932
Change in assets and liabilities						
(Increase) decrease in receivables	1,189	325,682	40,936	-	195,408	563,215
(Increase) decrease in inventories	(193,513)	-	-	-	-	(193,513)
Increase (decrease) in accounts payable	(375,032)	201,217	371,981	-	-	198,166
Increase (decrease) in accrued expenses	12,880	6,833	1,420	-	-	21,133
Increase (decrease) in customer deposits	-	-	-	-	-	-
Increase (decrease) in estimated liability for litigation and						
claims	-	-	-	-	-	-
Total adjustments	<u>5,500,888</u>	<u>576,613</u>	<u>432,878</u>	<u>3,041,915</u>	<u>195,408</u>	<u>9,747,702</u>
Net cash provided by (used in) operating activities	<u>\$ 7,717,938</u>	<u>\$ 112,825</u>	<u>\$ (450,533)</u>	<u>\$ 2,882,593</u>	<u>\$ 337,053</u>	<u>\$ 10,599,876</u>

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

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Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or 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, 2020

	City Choice Plus	Employee Health Savings Fund	Total
Assets			
Cash	\$ 49	\$ 1,087,565	\$ 1,087,614
State & municipal government securities	119,801	-	119,801
Accounts receivable	274,751	-	274,751
Due from other funds of the Primary Government	-	16,675	16,675
Total current assets	<u>\$ 394,601</u>	<u>\$ 1,104,240</u>	<u>\$ 1,498,841</u>
Liabilities			
Health care claims liability	\$ 394,601	\$ 1,104,240	\$ 1,498,841
Total liabilities	<u>\$ 394,601</u>	<u>\$ 1,104,240</u>	<u>\$ 1,498,841</u>

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, 2020**

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<u>City Choice Fund</u>				
Assets				
Cash	\$ 1,135	\$ 49	\$ 1,135	\$ 49
State & municipal government securities	66,821	52,980	-	119,801
Accounts receivable	285,742	274,751	285,742	274,751
Total assets	<u>\$ 353,698</u>	<u>\$ 327,780</u>	<u>\$ 286,877</u>	<u>\$ 394,601</u>
Liabilities				
Health care claims liability	\$ 327,698	\$ 327,780	\$ 260,877	\$ 394,601
Due to other funds	26,000	-	26,000	-
Total liabilities	<u>\$ 353,698</u>	<u>\$ 327,780</u>	<u>\$ 286,877</u>	<u>\$ 394,601</u>
<u>Employee Health Savings Fund</u>				
Assets				
Cash	\$ 146,343	\$ 1,087,565	\$ 146,343	\$ 1,087,565
Due from other funds of the Primary Government	1,000,000	16,675	1,000,000	16,675
Total assets	<u>\$ 1,146,343</u>	<u>\$ 1,104,240</u>	<u>\$ 1,146,343</u>	<u>\$ 1,104,240</u>
Liabilities				
Health care claims liability	\$ 1,146,343	\$ 1,104,240	\$ 1,146,343	\$ 1,104,240
Total liabilities	<u>\$ 1,146,343</u>	<u>\$ 1,104,240</u>	<u>\$ 1,146,343</u>	<u>\$ 1,104,240</u>
<u>Total All Agency Funds</u>				
Assets				
Cash	\$ 147,478	\$ 1,087,614	\$ 147,478	\$ 1,087,614
State & municipal government securities	66,821	52,980	-	119,801
Accounts receivable	285,742	274,751	285,742	274,751
Due from other funds of the Primary Government	1,000,000	16,675	1,000,000	16,675
Total assets	<u>\$ 1,500,041</u>	<u>\$ 1,432,020</u>	<u>\$ 1,433,220</u>	<u>\$ 1,498,841</u>
Liabilities				
Health care claims liability	\$ 1,474,041	\$ 1,432,020	\$ 1,407,220	\$ 1,498,841
Due to other funds	26,000	-	26,000	-
Total liabilities	<u>\$ 1,500,041</u>	<u>\$ 1,432,020</u>	<u>\$ 1,433,220</u>	<u>\$ 1,498,841</u>

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

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COMPONENT UNIT

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION

KNOXVILLE AREA TRANSIT - COMPONENT UNIT

JUNE 30, 2020

Assets

Current assets:

Cash & temporary investments	\$ 340,656
Investments	2,042,496
Accounts receivable	12,153,025
Inventories	<u>1,440,773</u>
Total current assets	<u>15,976,950</u>

Noncurrent assets:

Land and site improvements	2,199,236
Buildings and improvements	32,829,438
Equipment, furniture and fixtures	40,610,682
Infrastructure and site improvements	557,914
Less: accumulated depreciation	<u>(37,509,264)</u>
Total capital assets (net of accumulated depreciation)	<u>38,688,006</u>
Total assets	<u>54,664,956</u>

Liabilities

Current liabilities:

Accounts payable	781,727
Accrued liabilities	405,456
Due to primary government	<u>5,275,200</u>
Total liabilities	<u>6,462,383</u>

Deferred inflows of resources

Deferred revenue	<u>1,198,192</u>
Total deferred inflows of resources	<u>1,198,192</u>

Net position

Net investment in capital assets	38,688,006
Unrestricted	<u>8,316,375</u>
Total net position	<u>\$ 47,004,381</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2020

Operating revenues	
Charges for services	\$ 6,379,622
Total operating revenues	<u>6,379,622</u>
Operating expenses	
Personal services	16,308,448
Materials & supplies	7,484,474
Depreciation & amortization	4,119,687
Other operating expenses	<u>6,887,591</u>
Total expenses	<u>34,800,200</u>
Operating income (loss)	<u>(28,420,578)</u>
Nonoperating revenue (expense)	
Intergovernmental revenue	29,802,125
Other expenses	<u>(778,221)</u>
Total nonoperating revenue (expense)	<u>29,023,904</u>
Change in net position	603,326
Total net position, beginning	<u>46,401,055</u>
Total net position, ending	<u>\$ 47,004,381</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2020

Operating activities

Cash received from customers and users	\$ 6,379,622
Cash paid to suppliers	(14,378,794)
Cash paid to employees	<u>(16,551,278)</u>
Net cash provided by (used in) operating activities	<u>(24,550,450)</u>

Noncapital financing activities

Transfers from primary government	2,691,200
Tax and intergovernmental revenues	<u>23,220,097</u>
Net cash provided by (used in) noncapital financing activities	<u>25,911,297</u>

Capital and related financing activities

Acquisition of capital assets	<u>(3,544,773)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,544,773)</u>

Investing activities

Sales/(purchases) of investments, net	<u>(22,615)</u>
Net cash provided by (used in) investing activities	<u>(22,615)</u>

Net increase (decrease) in cash and cash equivalents	<u>(2,206,541)</u>
---	--------------------

Cash and cash equivalents

Beginning of year	<u>2,547,197</u>
End of year	<u>\$ 340,656</u>

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF CASH FLOWS - Continued
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2020

Reconciliation of operating income (loss)

to net cash provided by

(used in) operating activities

Operating income (loss)	\$ (28,420,578)
-------------------------	-----------------

Adjustments to reconcile operating income (loss)

to net cash provided by (used in) operating
activities:

Depreciation	4,119,687
--------------	-----------

Change in assets and liabilities

(Increase) decrease in inventories	(88,070)
------------------------------------	----------

Increase (decrease) in accounts payable	81,341
---	--------

Increase (decrease) in accrued expenses	(242,830)
---	-----------

Total adjustments	<u>3,870,128</u>
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Net cash provided by (used in) operating activities	<u>\$ (24,550,450)</u>
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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.

Contents	Page
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
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Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the City's most significant revenue source, the property tax.</i>	
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Property Tax Rates - Direct and Overlapping Governments	137
Principal Property Taxpayers	138
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<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	
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Sources: Unless otherwise noted, the information in these schedules is derived from the 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Invested in capital assets, net of related debt	\$ 220,028	\$ 220,585	\$ 223,777	\$ 231,666	\$ 225,581	\$ 261,956	\$ 298,791	\$ 305,396	\$ 342,292	\$ 369,211
Restricted	43,399	46,675	61,997	49,782	22,870	15,759	12,817	11,984	12,630	13,245
Unrestricted	233,442	237,088	243,367	260,379	162,267	186,985	203,126	209,403	199,406	183,950
Total Governmental Activities Net Position	<u>\$ 496,869</u>	<u>\$ 504,348</u>	<u>\$ 529,141</u>	<u>\$ 541,827</u>	<u>\$ 410,718</u>	<u>\$ 464,700</u>	<u>\$ 514,734</u>	<u>\$ 526,783</u>	<u>\$ 554,328</u>	<u>\$ 566,406</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 26,075	\$ 24,881	\$ 28,494	\$ 29,159	\$ 30,011	\$ 31,484	\$ 35,332	\$ 37,202	\$ 54,237	\$ 61,932
Unrestricted	33,712	38,728	39,323	40,223	42,012	48,363	51,795	70,336	67,766	70,608
Total Business-type Activities Net Position	<u>\$ 59,787</u>	<u>\$ 63,609</u>	<u>\$ 67,817</u>	<u>\$ 69,382</u>	<u>\$ 72,023</u>	<u>\$ 79,847</u>	<u>\$ 87,127</u>	<u>\$ 107,538</u>	<u>\$ 122,003</u>	<u>\$ 132,540</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 246,103	\$ 245,466	\$ 252,271	\$ 260,825	\$ 255,592	\$ 293,440	\$ 334,123	\$ 342,598	\$ 396,529	\$ 431,143
Restricted	43,399	46,675	61,997	49,782	22,870	15,759	12,817	11,984	12,630	13,245
Unrestricted	267,154	275,816	282,690	300,602	204,279	235,348	254,921	279,739	267,172	254,558
Total Primary Government Net Position	<u>\$ 556,656</u>	<u>\$ 567,957</u>	<u>\$ 596,958</u>	<u>\$ 611,209</u>	<u>\$ 482,741</u>	<u>\$ 544,547</u>	<u>\$ 601,861</u>	<u>\$ 634,321</u>	<u>\$ 676,331</u>	<u>\$ 698,946</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
General government	\$ 13,495	\$ 34,882	\$ 23,591	\$ 32,702	\$ 16,347	\$ 20,697	\$ 24,653	\$ 44,384	\$ 47,664	\$ 56,493
Public safety	83,059	85,416	88,381	89,816	91,659	95,864	100,752	95,748	98,472	109,806
Physical environment	46,977	48,046	49,230	51,368	49,559	51,100	54,041	53,452	53,906	55,246
Transportation	10,467	11,201	11,970	11,048	10,866	10,589	11,016	13,307	14,135	11,080
Economic Development	11,878	8,460	8,120	8,752	10,550	19,843	13,499	10,570	12,951	14,444
Parks & Recreation	12,308	11,827	10,195	10,345	10,723	9,586	9,936	11,474	11,799	12,979
Health & Sanitation	10,361	11,111	10,388	10,688	10,274	10,414	9,738	8,766	9,545	9,964
Interest on long-term debt	2,152	1,989	1,718	1,827	2,196	2,339	1,998	1,760	2,168	1,854
Total governmental activities expenses	<u>190,697</u>	<u>212,932</u>	<u>203,593</u>	<u>216,546</u>	<u>202,174</u>	<u>220,432</u>	<u>225,633</u>	<u>239,461</u>	<u>250,640</u>	<u>271,866</u>
Business-type Activities:										
Metro parking	1,610	1,625	1,184	5,689	2,721	2,372	3,475	5,364	4,087	5,231
Public assembly facilities	6,539	4,535	5,212	5,751	4,563	3,888	5,584	6,937	3,351	9,060
Knoxville Convention Center	19,395	19,013	17,081	16,716	17,530	16,909	17,735	19,549	18,482	19,402
Municipal Golf Courses	1,811	1,440	1,413	1,427	1,457	1,597	1,076	1,255	1,382	1,244
Total business-type activities	<u>29,355</u>	<u>26,613</u>	<u>24,890</u>	<u>29,583</u>	<u>26,271</u>	<u>24,766</u>	<u>27,870</u>	<u>33,105</u>	<u>27,302</u>	<u>34,937</u>
Total primary government	<u>\$ 220,052</u>	<u>\$ 239,545</u>	<u>\$ 228,483</u>	<u>\$ 246,129</u>	<u>\$ 228,445</u>	<u>\$ 245,198</u>	<u>\$ 253,503</u>	<u>\$ 272,566</u>	<u>\$ 277,942</u>	<u>\$ 306,803</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	\$ 757	\$ 817	\$ 860	\$ 2,339	\$ 1,923	\$ 1,726	\$ 1,259	\$ 1,228	\$ 1,298	\$ 975
Public safety	8,945	6,971	7,185	6,114	6,263	6,259	7,224	6,900	7,214	6,197
Physical environment	985	1,539	1,561	1,583	761	1,261	1,523	1,674	2,132	2,304
Transportation	955	640	551	635	729	630	406	443	484	347
Economic Development	665	428	260	355	578	172	408	144	283	99
Parks & recreation	537	531	494	583	630	642	669	754	735	472
Health & sanitation	49	40	38	36	41	33	40	36	38	47
Operating grants and contributions	14,811	10,088	7,517	8,409	7,710	7,893	9,103	6,632	5,754	5,915
Capital grants and contributions	3,777	3,318	3,556	4,693	6,658	11,573	14,262	7,608	7,852	8,406
Total governmental activities program revenues	<u>31,481</u>	<u>24,372</u>	<u>22,022</u>	<u>24,747</u>	<u>25,293</u>	<u>30,189</u>	<u>34,894</u>	<u>25,419</u>	<u>25,790</u>	<u>24,762</u>
Business-type Activities:										
Charges for Services:										
Metro parking	1,565	1,418	1,685	1,546	1,539	1,796	2,182	4,014	4,295	3,945
Public assembly facilities	1,855	2,090	1,954	1,952	1,786	1,630	2,993	3,579	3,658	2,788
Knoxville Convention Center	5,171	4,962	5,386	4,755	4,438	4,651	5,420	5,436	5,722	4,645
Municipal Golf Courses	1,195	1,332	1,193	1,317	1,082	1,048	1,043	982	956	1,110
Operating grants and contributions	1,500	1,750	1,562	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total business-type activities program revenues	<u>11,286</u>	<u>11,552</u>	<u>11,780</u>	<u>11,070</u>	<u>10,345</u>	<u>10,625</u>	<u>13,138</u>	<u>15,511</u>	<u>16,131</u>	<u>13,988</u>
Total primary government program revenues	<u>\$ 42,767</u>	<u>\$ 35,924</u>	<u>\$ 33,802</u>	<u>\$ 35,817</u>	<u>\$ 35,638</u>	<u>\$ 40,814</u>	<u>\$ 48,032</u>	<u>\$ 40,930</u>	<u>\$ 41,921</u>	<u>\$ 38,750</u>
Net expense:										
Governmental Activities	\$ 159,216	\$ 188,560	\$ 181,571	\$ 191,799	\$ 176,881	\$ 190,243	\$ 190,739	\$ 214,042	\$ 224,850	\$ 247,104
Business-type Activities	18,069	15,061	13,110	18,513	15,926	14,141	14,732	17,594	11,171	20,949
Total primary government net expense	<u>\$ 177,285</u>	<u>\$ 203,621</u>	<u>\$ 194,681</u>	<u>\$ 210,312</u>	<u>\$ 192,807</u>	<u>\$ 204,384</u>	<u>\$ 205,471</u>	<u>\$ 231,636</u>	<u>\$ 236,021</u>	<u>\$ 268,053</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	\$ 118,043	\$ 121,124	\$ 121,922	\$ 123,072	\$ 140,772	\$ 144,263	\$ 145,721	\$ 148,287	\$ 150,054	\$ 153,503
Intergovernmental revenues	61,221	60,798	68,337	65,910	67,588	76,727	74,157	77,633	72,959	73,257
Other taxes	18,525	19,968	20,763	20,053	20,844	21,986	22,159	23,153	23,752	25,425
Other revenue	3,669	2,296	4,465	4,062	3,941	8,440	4,866	7,470	13,913	13,383
Transfers	(16,352)	(8,148)	(9,123)	(8,612)	(9,653)	(7,191)	(6,129)	(19,855)	(8,284)	(6,386)
Total governmental activities	<u>185,106</u>	<u>196,038</u>	<u>206,364</u>	<u>204,485</u>	<u>223,492</u>	<u>244,225</u>	<u>240,774</u>	<u>236,688</u>	<u>252,394</u>	<u>259,182</u>
Business-type Activities:										
Intergovernmental revenues	4,539	4,689	3,198	4,888	3,451	7,042	6,983	9,779	8,087	17,685
Other taxes	5,218	5,420	5,211	5,395	5,921	6,903	6,756	7,009	7,195	6,101
Other revenue	599	627	570	1,182	1,352	829	2,143	1,363	2,070	1,314
Transfers	16,352	8,148	9,123	8,612	9,653	7,191	6,129	19,855	8,284	6,386
Total business-type activities	<u>26,708</u>	<u>18,884</u>	<u>18,102</u>	<u>20,077</u>	<u>20,377</u>	<u>21,965</u>	<u>22,011</u>	<u>38,006</u>	<u>25,636</u>	<u>31,486</u>
Total primary government	<u>211,814</u>	<u>214,922</u>	<u>224,466</u>	<u>224,562</u>	<u>243,869</u>	<u>266,190</u>	<u>262,785</u>	<u>274,694</u>	<u>278,030</u>	<u>290,668</u>
Changes in Net Position										
Governmental activities	\$ 25,890	\$ 7,478	\$ 24,793	\$ 12,686	\$ 46,611	\$ 53,982	\$ 50,035	\$ 22,646	\$ 27,544	\$ 12,078
Business-type activities	8,639	3,823	4,992	1,564	4,451	7,824	7,279	20,412	14,465	10,537
Total primary government	<u>\$ 34,529</u>	<u>\$ 11,301</u>	<u>\$ 29,785</u>	<u>\$ 14,250</u>	<u>\$ 51,062</u>	<u>\$ 61,806</u>	<u>\$ 57,314</u>	<u>\$ 43,058</u>	<u>\$ 42,009</u>	<u>\$ 22,615</u>

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

	Fiscal Year									
	2011*	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved										
Unreserved										
Nonspendable	\$ 425	\$ 385	\$ 300	\$ 324	\$ 443	\$ 364	\$ 353	\$ 305	\$ 301	\$ 366
Restricted	1,989	-	-	-	-	-	-	-	-	-
Committed	34,631	39,136	36,771	40,232	41,469	42,650	48,086	45,875	46,396	47,191
Assigned	231	311	2,648	2,482	3,353	4,038	20,143	11,778	12,699	21,016
Unassigned	27,987	19,892	30,436	27,958	30,508	38,458	27,757	30,557	27,489	20,052
Total general fund	<u>\$ 65,263</u>	<u>\$ 59,724</u>	<u>\$ 70,155</u>	<u>\$ 70,996</u>	<u>\$ 75,773</u>	<u>\$ 85,510</u>	<u>\$ 96,339</u>	<u>\$ 88,515</u>	<u>\$ 86,885</u>	<u>\$ 88,625</u>
All other governmental funds										
Nonspendable	\$ 656	\$ 739	\$ 737	\$ 673	\$ 1,076	\$ 1,122	\$ 856	\$ 1,185	\$ 1,294	\$ 1,131
Restricted	65,277	60,074	61,133	63,370	36,908	24,592	12,193	11,361	12,006	12,622
Committed	73,913	84,068	89,885	93,181	150,904	150,342	133,869	172,508	157,838	146,152
Assigned	-	-	-	-	-	-	16,883	579	651	737
Total all other governmental funds	<u>\$ 139,846</u>	<u>\$ 144,881</u>	<u>\$ 151,755</u>	<u>\$ 157,224</u>	<u>\$ 188,888</u>	<u>\$ 176,056</u>	<u>\$ 163,801</u>	<u>\$ 185,633</u>	<u>\$ 171,789</u>	<u>\$ 160,642</u>

* 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)

	2011	2012	2013	2014	Fiscal Year 2015	2016	2017	2018	2019	2020
Revenues										
Taxes, assessments, interest & penalties	\$ 173,425	\$ 180,543	\$ 183,445	\$ 184,128	\$ 204,089	\$ 212,108	\$ 212,992	\$ 217,761	\$ 223,517	\$ 225,188
Licenses, permits & inspection charges	1,708	1,975	1,994	2,027	2,266	2,656	3,005	3,052	3,331	3,297
Intergovernmental revenue	37,081	30,040	37,359	34,586	36,125	48,074	45,811	43,520	34,889	35,970
Charges for services	6,859	6,502	6,528	6,263	7,089	6,118	6,728	5,013	5,548	6,305
Fines & forfeitures	5,536	3,637	4,010	3,256	3,247	3,147	3,010	4,190	4,156	3,056
Other	6,207	5,370	5,170	5,524	5,073	8,354	8,350	6,665	12,875	12,565
Total revenues	230,816	228,067	238,506	235,784	257,889	280,457	279,896	280,201	284,316	286,381
Expenditures										
Current:										
General government	14,267	15,983	15,701	16,242	17,000	17,308	17,189	35,610	37,487	55,933
Public safety	81,613	85,311	86,986	89,224	99,871	102,155	103,510	95,559	100,214	109,806
Physical environment	66,819	59,861	58,565	61,475	61,478	63,178	63,287	63,059	64,104	37,098
Parks & recreation	907	7,722	7,621	7,976	8,422	8,652	8,721	9,001	9,327	12,979
Economic development	13,790	23,043	12,961	11,896	11,994	22,549	16,902	13,052	15,535	14,444
Other	-	486	91	68	248	-	-	-	-	-
Capital Outlay	19,155	17,497	19,253	25,892	36,163	51,710	53,188	36,657	54,810	48,307
Debt Service:										
Principal	5,577	4,853	5,413	5,291	5,384	6,141	4,998	4,742	6,237	6,506
Interest	2,188	2,116	1,730	1,745	2,136	2,328	2,039	1,789	2,092	1,882
Total expenditures	204,316	216,872	208,321	219,809	242,696	274,021	269,834	259,469	289,806	286,955
Excess (deficiency) of revenues over expenditures	26,500	11,195	30,185	15,975	15,193	6,436	10,062	20,732	(5,490)	(574)
Other Financing Sources (Uses)										
Net proceeds from issuance of debt	-	411	-	-	31,607	-	-	15,666	-	-
Transfers in	39,727	35,497	36,787	41,982	45,703	39,296	44,200	51,374	40,903	36,922
Transfers out	(60,612)	(47,607)	(49,667)	(51,648)	(56,061)	(48,827)	(55,688)	(73,764)	(50,887)	(45,755)
Total other financing sources (uses)	(20,885)	(11,699)	(12,880)	(9,666)	21,249	(9,531)	(11,488)	(6,724)	(9,984)	(8,833)
Net changes in fund balances	\$ 5,615	\$ (504)	\$ 17,305	\$ 6,309	\$ 36,442	\$ (3,095)	\$ (1,426)	\$ 14,008	\$ (15,474)	\$ (9,407)
Debt service as a percentage of noncapital	4.2%	3.4%	3.7%	3.5%	3.6%	3.7%	3.1%	2.7%	3.3%	3.2%

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

Fiscal Year	Real Property (1)					Personal Property (1)			Public Utilities (2)		Total's		Direct Tax Rate	Assessed Value as a Percentage of Actual Value
	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		
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	2.4600	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	2.4600	31%
2013	5,254,329	186,137	6,695,127	370,017	12,505,610	3,841,101	995,924	299,141	300,668	165,368	13,802,202	4,305,610	2.4600	31%
2014	5,657,886	215,437	6,679,425	465,822	13,018,570	4,002,458	1,155,830	346,877	283,414	155,878	14,457,614	4,505,213	2.3857	31%
2015	5,732,339	225,073	6,714,112	467,659	13,139,183	4,045,652	1,234,486	370,507	306,497	168,573	14,680,166	4,584,732	2.7257	31%
2016	5,818,821	229,219	6,752,219	493,767	13,294,026	4,092,562	1,192,171	357,705	317,769	174,773	14,803,966	4,625,040	2.7257	31%
2017	5,889,689	220,653	6,802,982	511,324	13,424,648	4,112,628	1,291,255	387,395	310,743	170,908	15,026,646	4,670,931	2.7257	31%
2018	6,845,220	247,220	7,472,331	810,146	15,374,917	4,687,158	1,368,707	410,613	310,743	170,908	17,054,367	5,268,679	2.4638	31%
2019	6,853,561	240,152	7,571,877	960,215	15,625,805	4,701,376	1,437,430	400,870	296,424	163,033	17,359,659	5,265,279	2.4638	30%
2020	6,878,796	238,693	7,885,172	1,083,122	16,085,783	4,758,127	1,336,231	400,870	296,424	163,033	17,718,438	5,322,030	2.4638	30%

Note:

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

(2) Assessed by the Division of State Assessed Properties, State Comptroller's Office

(3) Assessment Ratios:

a) Real property:

Commercial at 40%

Industrial at 40%

Residential and Farm at 25%

b) Personal property at 30%

c) Public utilities at 55%

N/A - Not Available

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

Fiscal Year	City of Knoxville Tax Rate Distribution			Overlapping Knox County Tax Rate Distribution				Total Direct & Overlapping Rates
	General Operations	Debt Service	Total	General Operations	Debt Service	School Construction	Total	
2011	1.8000	0.7500	3.2100	0.9700	0.3100	1.0800	2.3600	5.5700
2012	1.8600	0.6000	3.0600	0.9700	0.3100	1.0800	2.3600	5.4200
2013	1.8600	0.6000	2.4600	0.9700	0.3100	1.0800	2.3600	4.8200
2014	1.8523	0.5334	2.3857	0.9700	0.3100	1.0800	2.3600	4.7457
2015	2.1923	0.5334	2.7257	0.9600	0.4800	0.8800	2.3200	5.0457
2016	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2017	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2018	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2019	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2020	2.0117	0.4521	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838

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

Taxpayer	Type of Business	2020				2011			
		Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value	
Sams / Walmart	Retail	\$ 41,697	1	0.77%					
Fort Sanders Regional Medical Center	Medical Services	41,493	2	0.79%		81,047	3	1.94%	
Pilot Corp.	Oil	37,904	3	0.72%					
Scripps	Media	35,784	4	0.68%		68,920	4	1.65%	
Hart TC I-II LLC	Property Management	31,894	5	0.61%					
West Town Mall	Retail	31,229	6	0.59%		83,974	2	2.01%	
AT&T Telecommunications	Telecommunications	30,731	7	0.58%					
Kroger	Retail / Grocery	27,167	8	0.52%					
First American National Bank	Financial Services	26,358	9	0.50%		56,224	6	1.35%	
Comcast Cablevision	media	21,322	10	0.40%					
Bellsouth Telecommunications	telecommunications					89,011	1	2.13%	
Parkside Dr LLC	Property Management					63,689	5	1.52%	
Tennessee Holdings LLC	Property Management					52,884	7	1.27%	
Rohm & Haas	Manufacturing					47,515	8	1.14%	
Knoxville Center	Retail					46,606	9	1.12%	
Behringer Harvard Riverview LLC	Property Management					39,947	10	0.96%	
		<u>\$ 325,579</u>		<u>6.16%</u>		<u>\$ 629,817</u>		<u>15.09%</u>	

⁽¹⁾Data Source: City property tax office

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

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2011	102,836	97,167	94.49%	5,596	102,763	99.93%
2012	103,350	99,086	95.87%	4,538	103,624	100.26%
2013	104,330	102,045	97.81%	2,917	104,962	100.61%
2014	107,481	102,862	95.70%	4,186	107,048	99.60%
2015	124,620	118,246	94.89%	4,129	122,375	98.20%
2016	125,854	120,707	95.91%	4,296	125,003	99.32%
2017	128,020	121,450	94.87%	3,256	124,706	97.41%
2018	130,264	123,792	95.03%	3,605	127,397	97.80%
2019	130,649	125,780	96.27%	3,709	129,489	99.11%
2020	131,124	124,047	94.60%	-	124,047	94.60%

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

Governmental Activities

Fiscal Year	General Obligation Bonds			Other Governmental Activities Debt		
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	HUD Section 108 Note	Capital Lease	Participation Agreement
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	-	-
2020	51,556	3,076	54,632	2,730	-	-

Business Type Activities

Fiscal Year	General Obligation Bonds			Other Business Type		Total Primary Government ⁽¹⁾	% of	
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	Golf Course Equipment Note	Capital Lease		Personal Income ⁽²⁾	Per Capita ⁽²⁾
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
2020	88,794	667	89,461	-	-	146,823	2.95%	782.63

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	Total	Percentage of Estimated Taxable Value of Property	Per Capita
		Debt Service Fund			
2011	202,475	42,532	159,943	3.83%	894.17
2012	194,452	40,732	153,720	3.62%	850.40
2013	176,201	45,811	130,390	3.03%	721.34
2014	166,049	46,833	119,216	2.65%	650.49
2015	180,795	49,746	131,049	2.91%	715.06
2016	170,120	50,252	119,868	2.61%	646.92
2017	159,965	51,242	108,723	2.33%	583.78
2018	164,490	50,707	113,783	2.17%	607.34
2019	152,695	50,772	101,923	1.93%	543.59
2020	140,350	53,178	87,172	1.65%	464.66

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)**

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses (net of depreciation and interest)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Revenue Bond Coverage</u>
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
2020	808,491	614,902	193,589	86,233	2.24

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

<u>Fiscal Year</u>	<u>Gross Revenue (net of grant receipts)</u>	<u>Expenses (net of depreciation and interest)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Revenue Bond Coverage</u>
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
2020	41,269	22,262	19,007	7,368	2.58

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2020
(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	\$ 57,362	100.00%	\$ 57,362
Overlapping Debt:			
Knox County	412,134	43.90%	180,927
Knox County Schools	285,334	43.90%	125,262
Total Overlapping Debt	697,468		306,189
 Total Direct and Overlapping Debt	 \$ 754,830		 \$ 363,551

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)

Fiscal Year	Population ⁽¹⁾	Personal Income (In \$1,000,000) ⁽²⁾ (MSA)	Per Capita Income ⁽²⁾ (MSA)	Median Age ⁽¹⁾	Education Level - Population 25 & Over ⁽¹⁾				School Enrollment ⁽³⁾ (Knox County)	Average Unemployment Rate ⁽⁴⁾ (MSA)
					High School Graduate or higher	Some College or more	Bachelor's Degree or higher	Master's or Professional Degree		
2011	180,753	30,146.3	36,732	34.0	87.7%	59.7%	30.9%	12.9%	56,817	7.9%
2012	182,196	31,807.9	38,555	34.9	89.9%	62.4%	30.2%	11.2%	57,812	7.1%
2013	183,261	31,847.1	38,416	32.9	89.3%	60.9%	30.6%	11.7%	58,940	7.2%
2014	184,292	33,242.8	39,911	32.3	84.6%	54.4%	28.9%	10.4%	59,232	6.1%
2015	185,291	34,986.4	41,759	33.8	87.0%	55.5%	29.9%	11.4%	59,516	5.2%
2016	186,239	36,023.8	42,635	32.8	87.8%	57.6%	29.3%	11.4%	60,313	4.4%
2017	187,347	37,741.0	44,212	33.0	88.2%	55.6%	30.5%	11.6%	58,901	3.6%
2018	187,514	39,926.8	46,360	32.6	89.8%	57.9%	30.3%	12.3%	59,364	3.3%
2019	187,603	41,323.6	47,550	33.1	88.1%	59.7%	31.0%	12.2%	59,224	4.9%
2020(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	2020			2011		
	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)	15,862	1	3.69%			
Covenant Health	9,792	2	2.28%	9,000	1	4.03%
The University of Tennessee, Knoxville	9,384	3	2.19%	8,161	2	3.66%
Knox County Schools	7,949	4	1.85%	8,104	3	3.63%
Wal-Mart Stores, Inc.	5,998	5	1.40%	2,091	10	0.94%
University of Tennessee Medical Center	5,458	6	1.27%	3,225	4	1.44%
DENSO Manufacturing Tennessee, Inc.	5,350	7	1.25%			
Clayton Homes	4,883	8	1.14%			
The Dollywood Company	4,500	9	1.05%			
K-VA-T Food	3,104	10	0.72%			
Tennova Healthcare						
Kroger Co						
Blount Memorial Hospital				2,500	7	1.12%
City of Knoxville				2,820	5	1.26%
Knox County Government				2,500	6	1.12%
Sea Ray Boats, Inc.						
Aluminum Company of America (ALCOA)				2,300	9	1.03%
State of Tennessee, Regional Offices				2,401	8	1.08%
Total Knoxville MSA Laborforce (2)	429,305			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)

Department	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	26.5	26.0	30.5	30.5	30.5	31.5	33.5	35.5	35.5	39.5
Finance	51.0	51.0	51.5	48.5	49.0	49.0	49.0	50.0	50.0	45.0
Employee Benefits & Risk Management	-	-	-	-	-	-	-	-	13.0	13.0
Information Systems	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	29.0
Public Works	-	-	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Engineering	87.5	87.5	88.5	89.0	91.5	92.5	92.5	92.0	92.0	93.0
Fleet Services	55.0	55.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	55.0
Inspections	29.0	29.0	29.0	29.0	29.0	29.0	40.0	40.0	40.0	39.0
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	292.0	292.0	292.0	292.0
Community Development	25.5	23.5	23.5	23.5	21.5	21.5	21.5	20.0	20.0	20.0
Recreation	54.0	54.0	53.0	52.5	51.5	52.0	51.0	51.0	51.0	50.0
Law	13.0	13.0	12.5	19.0	21.0	21.0	21.0	21.0	13.0	13.0
Police										
Sworn	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0
Civilian	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	105.0	105.0
Subtotal	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>521.0</u>	<u>521.0</u>
Fire										
Sworn	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0	327.0
Civilian	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Subtotal	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>	<u>337.0</u>
Legislative	7.5	7.5	7.5	7.5	7.5	7.5	7.5	8.0	8.0	7.5
City Court	13.5	13.5	14.5	14.5	14.5	14.5	14.5	14.0	14.0	14.5
Civil Service	12.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Public Assembly Facilities	36.0	36.0	36.0	36.0	34.5	34.5	-	-	-	-
GRAND TOTAL	<u>1,610.5</u>	<u>1,608.0</u>	<u>1,612.5</u>	<u>1,616.0</u>	<u>1,615.5</u>	<u>1,618.0</u>	<u>1,582.5</u>	<u>1,583.5</u>	<u>1,584.5</u>	<u>1,582.5</u>

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

Department	Fiscal Year									
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Public Safety										
Police										
Arrests	16,648	15,898	14,376	11,484	11,900	12,453	10,604	10,691	10,425	8,558
Citations	135,680	107,501	105,635	96,147	88,731	68,374	49,585	45,462	54,577	38,217
Fire										
Fire Inspections	3,692	3,518	4,547	4,144	3,968	3,162	3,366	3,438	2,707	2,264
Alarms Attended	20,463	20,688	21,227	21,644	20,788	22,346	21,647	14,107	25,166	24,110
First Responder Calls	10,442	10,954	10,816	10,546	9,214	10,307	9,573	10,623	10,613	7,242
Engineering										
Miles of Streets Resurfaced	42	48	55	46	43	40	59	50	58	38
Parks & Recreation										
Recreation Center Participants	620,469	551,101	527,224	495,231	472,613	480,993	496,683	440,977	417,903	290,231
Service										
Pothole Repairs (by tons of asphalt)	561	398	430	357	204	197	480	945	1,102	621

Sources: Various city departments

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

Department	Fiscal Year									
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Public Safety										
Safety Building - Police	1	1	1	1	1	1	1	1	1	1
Fire Halls	18	18	19	19	19	19	19	19	19	19
Operations & Engineering										
Street Lights	29,569	29,711	30,145	30,211	30,232	30,250	30,299	30,314	30,159	29,757
Miles of Streets Maintained	1,277	1,277	1,278	1,178	1,179	1,179	1,175	1,175	1,174	1,174
Parks & Recreation										
Recreation Centers	12	12	12	12	12	14	16	16	18	18
Parks	81	81	82	82	81	81	93	94	94	94
Park Acreage	1,963	1,963	2,000	2,000	2,828	2,828	3,102	3,102	3,102	3,102
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	68	68	67	67	47	47	45	45	45	45
Miles of Greenway	66	66	85	86	86	86	113	113	113	113
Golf Courses	3	3	3	3	3	3	3	3	3	3
Pickleball Courts	-	-	-	-	-	10	10	10	10	10
Metro Parking										
Parking Garages	5	5	5	5	5	5	5	6	6	6
Parking Lots	7	8	8	8	8	8	9	10	10	7
Total Spaces	4,296	4,312	4,289	4,529	4,529	4,688	4,673	5,515	6,151	6,066
Fleet										
Garages	2	2	2	2	2	2	2	2	2	2
Number of Vehicles Maintained	1,630	1,515	1,532	1,538	1,552	1,562	1,510	1,524	1,532	1,561

Sources: Various City Departments

COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2020

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2019	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2020	Amount Passed Through to Subrecipients
U.S. Department of Housing and Urban Development	FEDERAL ASSISTANCE							
<u>Direct assistance</u>								
	Community Development Block Grant	14.218 B-14-MC-47-0005		\$ -	\$ 49,666	\$ 49,666	\$ -	\$ -
	Community Development Block Grant	14.218 B-15-MC-47-0005		-	29,982	29,982	-	-
	Community Development Block Grant	14.218 B-16-MC-47-0005		-	19,580	53,152	33,572	-
	Community Development Block Grant	14.218 B-17-MC-47-0005		-	22,967	22,967	-	-
	Community Development Block Grant	14.218 B-18-MC-47-0005		288,919	726,755	437,836	-	-
	Community Development Block Grant	14.218 B-19-MC-47-0005		-	1,143,302	1,289,488	146,186	1,143,076
	Community Development Block Grant Coronavirus Funding	14.218 B-20-MC-47-0005		-	-	2,096	2,096	-
	Community Development Block Grant/Section 108	14.218 B-15-MC-47-0005		21,821	240,072	241,414	23,163	-
		<u>14.218</u>		<u>310,740</u>	<u>2,232,324</u>	<u>2,126,601</u>	<u>205,017</u>	<u>1,143,076</u>
	Home Grant 2015	14.239 M15-MC-47-0201		-	6,448	6,448	-	-
	Home Grant 2016	14.239 M16-MC-47-0201		-	6,996	6,996	-	-
	Home Grant 2017	14.239 M17-MC-47-0201		-	325,243	325,243	-	-
	Home Grant 2018	14.239 M18-MC-47-0201		(848,923)	504,911	726,063	(627,771)	-
	Home Grant 2019	14.239 M19-MC-47-0201		-	950,787	181,293	(769,494)	61,470
		<u>14.239</u>		<u>(848,923)</u>	<u>1,794,385</u>	<u>1,246,043</u>	<u>(1,397,265)</u>	<u>61,470</u>
<u>Passed through from</u> Tennessee Housing Development Agency	Emergency Shelter (THDA)	14.231 ESG-18-03		42,140	42,140	-	-	-
	Emergency Shelter (THDA)	14.231 ESG-19-03		-	109,258	145,298	36,040	140,000
	Emergency Solutions Grant Coronavirus Funding	14.231 E-20-MW-47-0005		-	-	1,601	1,601	-
		<u>14.231</u>		<u>42,140</u>	<u>151,398</u>	<u>146,899</u>	<u>37,641</u>	<u>140,000</u>
	Lead Hazard Control Grant	14.900 TNLHB0705-18		42,587	534,078	732,329	240,838	611,253
		<u>14.900</u>		<u>42,587</u>	<u>534,078</u>	<u>732,329</u>	<u>240,838</u>	<u>611,253</u>
Total U.S. Department of Housing and Urban Development				<u>(453,456)</u>	<u>4,712,185</u>	<u>4,251,872</u>	<u>(913,769)</u>	<u>1,955,799</u>
U.S. Department of Interior								
<u>Passed through from</u> State of Tennessee, Wildlife Resources Agency	TWRA funding for the Vol Navy Docks	16.622 328.01-00921		215,966	350,754	134,788	-	-
Total U.S. Department of Interior				<u>215,966</u>	<u>350,754</u>	<u>134,788</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice								
<u>Direct assistance</u>								
	Knoxville's Enhanced Training & Svcs to End Abuse	16.528 2015-EW-AX-K009		18,290	34,360	16,070	-	16,670
Department of Justice	Equitable Sharing Program/MLARS	16.922		(588,450)	110,307	82,298	(616,459)	-
<u>Passed through from</u> 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		2,964	34,972	34,969	2,961	-
	Tennessee 2016 ICAC Federal Grant	16.543 2016-MC-FX-K052		168,715	448,919	326,352	46,148	84,028
	2017 ICAC - Forensic Capacity Hiring Program for Wounded Veterans	16.543 2017-MC-FX-K005		-	14,984	49,842	34,858	-
	TN 2019-2020 ICAC Federal Grant	16.543 2019-MC-FX-K013		-	78,672	205,886	127,214	-
		<u>16.543</u>		<u>171,679</u>	<u>577,547</u>	<u>617,049</u>	<u>211,181</u>	<u>84,028</u>
	2016-2018 Knoxville Victim's Services (VOCA)	16.575 Contract 26743		34,516	131,894	136,170	38,792	-
		<u>16.575</u>		<u>34,516</u>	<u>131,894</u>	<u>136,170</u>	<u>38,792</u>	<u>-</u>
	2020 Project Safe Neighborhood Eastern District	16.609		-	-	6,970	6,970	-
		<u>16.609</u>		<u>-</u>	<u>-</u>	<u>6,970</u>	<u>6,970</u>	<u>-</u>
	2016 Knoxville Knox County JAG Grant	16.738 2016-DJ-BX-0707		11,624	46,349	34,725	-	-
	2017 Knoxville Knox County JAG Grant	16.738 31774		32,021	70,630	65,366	26,757	20,000
	2017 JAG/Byrne Grant	16.738 2017-DJ-BX-0420		-	37,813	60,447	22,634	-
		<u>16.738</u>		<u>43,645</u>	<u>154,792</u>	<u>160,538</u>	<u>49,391</u>	<u>20,000</u>
Office of Community Oriented Policing Service	2018 COPS STOP School Violence (SVPP)	16.710 2018-SV-WX-0083		3,900	-	138,685	142,585	83,280
		<u>16.710</u>		<u>3,900</u>	<u>-</u>	<u>138,685</u>	<u>142,585</u>	<u>83,280</u>
Total U.S. Department of Justice				<u>(316,420)</u>	<u>1,008,900</u>	<u>1,157,780</u>	<u>(167,540)</u>	<u>203,978</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2020

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2019	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2020	Amount Passed Through to Subrecipients
U.S. Department of Transportation								
<u>Direct assistance</u>								
Federal Transit Cluster	2019 Formula Grant	20.507	TN-2019-032-00	4,822,435	5,046,906	224,471	-	-
	2020 Formula Grant	20.507	contract pending	-	-	4,822,560	4,822,560	-
	CMAQ PM 2.5 Grant to purchase buses	20.507	TN-2017-033-00	5,906	62,985	57,079	-	-
	2017 STP FlexFunds for ADA Paratransit Vehicles	20.507	TN-2018-033-00	-	720,000	720,000	-	-
	FY17/18 STP FlexFunds for Transit Buses	20.507	TN-2018-037-00	-	1,949	1,640,449	1,638,500	-
	FY18 STP FlexFunds for Bus Engineer Overhaul	20.507	TN-2018-039-00	77,794	80,792	2,998	-	-
	FY18 STP FlexFunds for ADA Paratransit Vehicles	20.507	TN-2018-045-00	-	154,958	154,958	-	-
	FY18 STP FlexFunds for KAT Passenger Amenities	20.507	TN-2018-051-00	4,787	69,919	128,305	63,173	-
	CARES Act 5307 Operating Assistance Grant - FY19/20	20.507	TN-2020-024-00 FY19/20	-	-	3,398,481	3,398,481	-
		20.507		4,910,922	6,137,509	11,149,301	9,922,714	-
	2013 & 2014 5339 (MAP 21) Grant	20.526	TN-34-0005-00	109,361	157,241	47,880	-	-
	2015 5339 (MAP 21) Grant	20.526	TN-2017-002-00/TN-34-0014-00	22,612	22,611	54,047	54,048	-
	FFY 2017 5339(b) Bus & Bus Facilities Grant	20.526	TN-2019-007-00	-	-	3,600	3,600	-
	FY19 5339 Program - Grant for Capital Projects	20.526	TN-2019-033-00	-	2,561	276,717	274,156	-
		20.526		131,973	182,413	382,244	331,804	-
Total Federal Transit Cluster				5,042,895	6,319,922	11,531,545	10,254,518	-
<u>Direct assistance</u>								
Public Transportation Research	5312 Rides to Wellness Grant in Knoxville	20.514	TN-2017-017-00	95,183	95,183	-	-	-
<u>Passed through from</u>								
Tennessee Department of Transportation	Jackson Avenue Ramps	20.205	Contract 050113; BRZE-9109(103); Pin 106077.00	186,740	128,237	3,930,329	3,988,832	-
Tennessee Department of Transportation	Cumberland Avenue Streetscapes & Pedestrian Improvements	20.205	STP-M-9109(115); Pin 110692.00	428,315	409,534	-	18,781	-
Tennessee Department of Transportation	Upper Second Creek Greenway	20.205	State 060018; Pin 107380.00	4,599	4,599	-	-	-
Tennessee Department of Transportation	Access Improvements to I-275 Business Park	20.205	Contract 090268; Pin 110262.00	97,685	97,005	18,986	19,666	-
Tennessee Department of Transportation	N. Central Street Streetscape Improvements	20.205	47LPLM-F3-082; State 110195	1,022,109	1,098,278	354,687	278,518	-
Tennessee Department of Transportation	Park City Sidewalk Network Completion	20.205	CM-9109(148); State 110045	226,974	226,857	52,283	52,400	-
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205	STP-M-9109(64); State 070099	11,018	3,342	32,733	40,409	-
Tennessee Department of Transportation	Blount-Sevier Corridor Improvements/South Waterfront	20.205	STP-EN-9109(173); State 130166; PIN109677.00	81,652	90,072	148,199	139,779	-
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205	STP-M-9109(165); State 140161; PIN 120004.00	1,279	2,128	11,123	10,274	-
Tennessee Department of Transportation	Knoxville Citywide Sidewalk Study	20.205	STP-M-9109(180); State 180005; PIN 126939.00	24,468	24,419	132,531	132,580	-
Tennessee Department of Transportation	Atlantic Avenue Sidewalk	20.205	STP-M-3789(10); State 180006; PIN 126946.00	32,498	29,213	38,479	41,764	-
Tennessee Department of Transportation	East Magnolia Avenue/Rutledge Pike/Asheville Highway Planning Study	20.205	STP-M-1(405); State 180194	-	8,994	79,851	70,857	-
Tennessee Department of Transportation	CMAQ funding for ther Chapman Highway Portion of the ATMS	20.205	CM-9109(1171); State 140161	950	2,850	9,500	7,600	-
Tennessee Department of Transportation	Widening of Pleasant Ridge Road, from City Limits to	20.205	STP-EN-9109(53)	39,457	19,805	37,162	56,814	-
Tennessee Department of Transportation	Liberty Street Multimodal Improvements	20.205	TAP-STOP-M-9115(171); State 150169; PIN 122977.00	7,973	18,544	19,034	8,463	-
Tennessee Department of Transportation	First Creek Greenway-Broadway Streetscapes	20.205	TAP/STP-M-9115(179); State 170054; Pin 125623.00	23,637	26,718	3,080	(1)	-
Tennessee Department of Transportation	South Waterfront Greenway-East of Suttree (aka S.W. Riverwalk)	20.205	TAP-M-9109(181); State 180068; PIN 127815.00	-	8,982	83,698	74,716	-
Tennessee Department of Transportation	Broadway Transit Signal Priority (Broadway Bus Corridor/ATMS)	20.205	CM-9109(177)	-	288	288	-	-
Total Highway Planning and Construction Cluster		20.205		2,189,354	2,199,865	4,951,963	4,941,452	-
<u>Highway Safety Cluster</u>								
Highway Safety Cluster	2019 Motorcycle Safety Enforcement	20.600	Z-19-THS376/Edison 60103(PT)	1,658	10,235	8,577	-	-
	Knoxville's FY19 GHSD/DUI Enforcement Program	20.616	Z-19-THS148/Edison 60100(AL)	3,389	6,151	2,762	-	-
	Knoxville's FY20 GHSD/DUI Enforcement Program	20.616	Z-20-THS131/Edison 64054(AL)	-	6,028	16,254	10,226	-
		20.616		3,389	12,179	19,016	10,226	-
Total Highway Safety Cluster				5,047	22,414	27,593	10,226	-
Total U.S. Department of Transportation				7,332,479	8,637,384	16,511,101	15,206,196	-
U.S. Department of Treasury								
<u>Direct assistance</u>								
	Equitable Sharing/TEOAF	21.016		(150,123)	24,587	138,325	(36,385)	-
Total U.S. Department of Treasury				(150,123)	24,587	138,325	(36,385)	-
U.S. Department of Environmental Protection								
<u>Direct assistance</u>								
	EPA/Brownfield Cleanup Cooperative Grant	66.818	BF-00D47816-0	39,684	125,894	86,210	-	-
Total U.S. Department of Environmental Protection				39,684	125,894	86,210	-	-
U.S. Department of Health & Human Services								
<u>Direct assistance</u>								
	Mental Health First Aid	93.243	1H795M081081-01	30,327	75,492	45,165	-	45,165
Total U.S. Department of Health & Human Services				30,327	75,492	45,165	-	45,165

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2020

Grantor Agency	Program Title	CFDA #	Grant #	Receivable (Deferral) 6/30/2019	Cash Receipts	Expenditures	Receivable (Deferral) 6/30/2020	Amount Passed Through to Subrecipients
U.S. Office of National Drug Control Policy								
<u>Passed through from</u>								
Financial Commission for Appalachia HIDTA	High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	G19AP0001A	50,398	95,886	45,488	-	-
Financial Commission for Appalachia HIDTA	High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	209AP0001A	-	38,744	57,475	18,731	-
		<u>95.001</u>		<u>50,398</u>	<u>134,630</u>	<u>102,963</u>	<u>18,731</u>	<u>-</u>
Total U.S. Office of National Drug Control Policy				<u>50,398</u>	<u>134,630</u>	<u>102,963</u>	<u>18,731</u>	<u>-</u>
U.S. Department of Homeland Security								
<u>Passed through from</u>								
Tennessee Emergency Management Agency	2019 Emergency Management Performance Grant	97.042	EMA-2019-EP-00004-S01/34101-01520	-	150,000	150,000	-	-
Passed through Knox County	FY2017 Homeland Security Grant Program	97.067	34101-11318/EMW-2017-SS-00093	8,310	17,792	9,482	-	-
Passed through Knox County	FY2018 Homeland Security Grant Program	97.067	34101-09719/EMW-2018-SS-00033	-	-	8,310	8,310	-
		<u>97.067</u>		<u>8,310</u>	<u>17,792</u>	<u>17,792</u>	<u>8,310</u>	<u>-</u>
Total U.S. Department of Homeland Security				<u>8,310</u>	<u>167,792</u>	<u>167,792</u>	<u>8,310</u>	<u>-</u>
Total Federal Assistance				<u>\$ 6,757,165</u>	<u>\$ 15,237,618</u>	<u>\$ 22,595,996</u>	<u>\$ 14,115,543</u>	<u>\$ 2,204,942</u>
STATE ASSISTANCE								
Tennessee Department of Environment & Conservation	FY2018-2019 Household Hazardous Waste	32701-03773/Edison	62060	\$ 71,455	\$ 71,455	\$ -	\$ -	\$ -
Tennessee Department of Environment & Conservation	FY2019-2020 Household Hazardous Waste	32701-03857/Edison	632235	-	-	96,310	96,310	-
Tennessee Department of Environment & Conservation	TDEC - Used Oil Grant	32701-03749/Edison	61367	-	-	24,000	24,000	-
Tennessee Department of Environment & Conservation	TDEC - Education & Outreach Grant	32701-03426/Edison	57600	-	-	6,315	6,315	-
Tennessee Department of Agriculture - Forestry Division	TAEP FY20 Tree Planting Program	Edison	20006/Urban TAEP	-	-	15,750	15,750	-
Criminal Justice Program	2017 State ICAC Grant/East TN State ICAC	31701-06233; Edison	49531	67,411	219,639	208,793	56,565	38,834
Tennessee Department of Transportation	Kingston Pike Multimodal Transportation Grant	47LPM-S3-120; State	150072; PIN 121995.00	4,780	4,780	36,411	36,411	-
Tennessee Department of Transportation	Chapman Highway Multimodal Grant	47LPLM-S3-166; State	190020; PIN 128590.00	-	-	84,528	84,528	-
Tennessee Wildlife Resources Agency	Public Boat Ramp at Ned McWherter's Riverside Landing Park	328.01-00920		196,068	-	41,177	237,245	-
Tennessee Department of Transportation	Multimodal Access Grant for Merchant Drive & Clinton Highway	47LPM-S3-095; State	140155	265,967	265,967	-	-	-
Tennessee Department of Transportation	2019-2020 State Operating Grant	47-UROP-S3-016/Z-20-UROP-09		-	3,380,800	3,380,800	-	-
Tennessee Department of Transportation	FTA-TN-34-0005-00	475339-S3-002		13,865	19,850	5,985	-	-
Tennessee Department of Transportation	FTA-TN-34-0014-00	GG-17-53445-00/Edison	53445	34,676	31,850	6,756	9,582	-
Tennessee Department of Transportation	FTA-TN-90-X3	GG-17-54167-00/Edison	54167	2,777	2,777	-	-	-
Tennessee Department of Transportation	2016 5339 Program - KAT Capital Projects Grant	GG-18-57976-00/Edison	57976	156	-	-	156	-
Tennessee Department of Transportation	FFY 2017 5339(b) Bus & Bus Facilities Grant	475339-		-	-	450	450	-
Tennessee Department of Transportation	FY19 5339 Program - Grant for Capital Projects	475339-FY195339		-	-	34,590	34,590	-
Tennessee Department of Transportation	FTA-TN-90- State Portion of FY19 Formula Grant			602,805	-	28,059	630,864	-
Tennessee Department of Transportation	FTA-TN-90- State Portion of FY20 Formula Grant	Contract Pending		-	-	602,680	602,680	-
Tennessee Department of Transportation	CMAQ PM 2.5 Grant to purchase buses	GG-18-56839/Edison	56839	738	7,826	7,088	-	-
Tennessee Department of Transportation	FY18 Improve Act Capital Assistance Grant	GG-18-58508-00/Edison	58508	222,132	222,132	-	-	-
Tennessee Department of Transportation	FY17/18 STP FlexFunds for Transit Buses	GG-18		-	-	205,056	205,056	-
Tennessee Department of Transportation	2017 STP FlexFunds for ADA Paratransit Vehicles	GG-18		-	-	90,000	90,000	-
Tennessee Department of Transportation	FY18 STP FlexFunds for ADA Paratransit Vehicles	GG-18		-	-	19,370	19,370	-
Tennessee Department of Transportation	FY18 STP FlexFunds for Bus Engine Overhaul	Z-19-5307-04-00		24,625	-	375	25,000	-
Tennessee Department of Transportation	FY18 STP FlexFunds for KAT Passenger Amenities	Z-19-5307-12-00		598	-	16,038	16,636	-
Tennessee Department of Transportation	SFY19 Improve Act Capital Assistance Grant	GG-19-61718-00/Edison	61718	281,621	281,621	-	-	-
Total State Assistance				<u>\$ 1,789,674</u>	<u>\$ 4,508,697</u>	<u>\$ 4,910,531</u>	<u>\$ 2,191,508</u>	<u>\$ 38,834</u>
Total Federal and State Assistance				<u>\$ 8,546,839</u>	<u>\$ 19,746,315</u>	<u>\$ 27,506,527</u>	<u>\$ 16,307,051</u>	<u>\$ 2,243,776</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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, 2020.

These 2020 loan funding balances are also included in the federal expenditures presented in the schedule.

<u>Cluster / Program Title</u>	<u>CFDA Number</u>	<u>FY 20 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grants	14.218	\$ -	\$ 4,195,831
Empowerment Zone	14.244	-	245,423
HOME Investment Partnerships Program	14.239	-	8,811,482
Total Loans		<u>\$ -</u>	<u>\$13,252,736</u>



Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City"), as of and for the year ended June 30, 2020, 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 22, 2020. Our report includes a reference to other auditors who audited the financial statements of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but other matters that are required to be reported under the State of Tennessee Audit Manual are referenced as 2020-001 to 2020-005 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 22, 2020



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, 2020. 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 \$34,970,273 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority because these component units engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Knoxville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.



Report on Internal Control Over Compliance

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

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

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

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

Crosslin, PLLC

Nashville, Tennessee
December 22, 2020

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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, 2020 are:

CFDA Number

Name of Federal Program

14.218

Community Development Block Grant

20.205

Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee?

 x yes no

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2020**

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

2020-001 Fraudulent Email Requesting Funds

Condition, Criteria, Cause, Questioned Costs and Effect

During March 2020, the City received a fraudulent email that appeared to be from a non-profit organization that the City periodically supports, requesting funds be transferred to an improper bank account.

Recommendations

None

Management's Response and Planned Corrective Action

Due to the vigilance of the employees of the City's treasury division, the attempted fraud was caught and no funds were disbursed or lost by the City. The City considers this matter closed.

2020-002 Fraudulent Checks Presented to the City's Bank for Payment

Condition, Criteria, Cause, Questioned Costs and Effect

On four different occasions during the period from July 24 through August 26, 2019 fraudulent checks were presented for payment from a bank account maintained by the City. In each situation payment was rejected by bank that maintained the City's account, and the check was returned to the bank that accepted the check with no loss to the City.

Recommendations

None.

Management's Response and Planned Corrective Action

The City's bank accounts utilize a positive payee protection feature which helps to prevent unauthorized and fraudulent draws/checks to be paid from the accounts. This feature in each of these cases prevented the fraud. The City considers these matters closed.

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued YEAR ENDED JUNE 30, 2020

2020-003 Misappropriated Event Cash

Condition, Criteria, Cause, Questioned Costs and Effect

During December 2019, an employee of ASM Global Knoxville, the City's agent for the operation of the City's Chilhowee Park and Exposition Center, was found to have misappropriated cash from a safe on several occasions in the aggregate amount of \$8,000.

Recommendations

Internal controls surrounding safe storage of cash until it is picked up by the security company for transport to the bank, should be strengthened.

Management's Response and Planned Corrective Action

The employee was caught through the cash reconciliation process and observation by closed circuit cameras, and has been terminated. Procedures by ASM Global Knoxville have been revised to enhance the security of cash. ASM has taken legal action to recoup the amounts taken by the former employee. The City considers this matter to be closed.

2020-004 Parking Meters

Condition, Criteria, Cause, Questioned Costs and Effect

On July 24, 2019, it was reported that a City parking meter technician failed to remove his master keys from a parking meter while doing his assigned meter maintenance duties. The technician continued with other related duties and upon the realization that he did not have the keys, returned to the meter and found the key to the maintenance mechanism was broken off in the lock and the keys to the coin collection portion of the meter were gone.

Recommendations

None

Management's Response and Planned Corrective Action

An incident report was filed with the police and approximately 750 affected meters have been rekeyed to a new master key. There has been no known loss to the City. The City considers this matter closed.

2020-005 Misappropriation of Payroll

Condition, Criteria, Cause, Questioned Costs and Effect

In September 2020, it was discovered that ASM Global Knoxville, the City's agent for the operation of several of the City's venues was the victim of an email phishing scam in which severance payroll for a furloughed employee was redirected to another bank account not belonging to the furloughed employee. ASM was not notified by the furloughed employee until several payroll periods had passed resulting in the loss of \$19,916. According to ASM management, payroll changes are typically made in person by employees, however this change was accepted by email.

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2020**

2020-005 Misappropriation of Payroll – continued

Recommendations

Internal controls around payroll processes should be strengthened. Direct deposit changes should not be accepted through email and should be required to be made in person with proper identification and authorization from employees.

Management's Response and Planned Corrective Action

ASM management stated this would likely not have occurred if employees had not been working from home due to the Covid-19 pandemic. Management also noted the unfortunate timing of the phishing attack as the employee had recently been furloughed which delayed the employee reaching out about the missing payroll deposits. ASM has implemented a policy in which employees will sign an agreement requiring employees to notify the company about pay discrepancies immediately. They will also implement a policy to have employee only accessible rerouting changes. The furloughed employee has been paid in full and the City considers the matter resolved.

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 2019-001 through 2019-007. These matters did not repeat and were noted as resolved.