



CITY OF KNOXVILLE
INDYA KINCANNON, MAYOR

Commitments to Completion



ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2025

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ANNUAL COMPREHENSIVE FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

PREPARED BY:
CITY OF KNOXVILLE FINANCE DEPARTMENT

CITY OF KNOXVILLE, TENNESSEE

ANNUAL COMPREHENSIVE FINANCIAL REPORT For the Year Ended June 30, 2025

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INTRODUCTORY SECTION

January 30, 2026



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

In compliance with the City of Knoxville Charter requirements, we are submitting the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. 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 sound as of June 30, 2025.

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

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

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

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A and should be read in conjunction with it. The City of Knoxville's MD&A can be found immediately following the report of the independent auditors.

This report covers all financial activities of the City of Knoxville, as well as its component units. The city provides a full range of services, including, but not limited to, police and fire protection; solid waste collection and disposal; construction and maintenance of highways, streets, and infrastructure; recreational activities; and cultural events. The City also has financial accountability over three component units consisting of the Knoxville Utilities Board (KUB), the Metropolitan Knoxville Airport

Authority (MKAA), and Knoxville Area Transit (KAT). The financial statements of KUB, MKAA and KAT are included in this report, as Component Units on the Government Wide Statements. The financial statements of the City Employees' Pension Trust Fund are based on a separate audit and included in the Fiduciary funds section along with two minor health related benefit agency funds.

Governmental Structure

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

Local Economic Condition

The City of Knoxville is the third largest City in the State of Tennessee, having an estimated population of 200,595. Knoxville is growing at a rate of 0.94% annually and its population has increased 4.9% since the most recent census in 2020. Located in East Tennessee at the headwaters of the Tennessee River, the city serves as the economic center of the East Tennessee region, including portions of Kentucky, North Carolina and Virginia. Its trade sector is one of the strongest in the state.

At present, the biggest challenge facing the City of Knoxville continues to be the nationwide housing crisis. Housing and rental prices are indeed higher than in the past due to low housing supply, as compared to demand, and many persons continue to move to Knoxville from other states. However, the City is actively working to improve the housing supply to alleviate the situation. Specifically, the City continues working to zone certain areas for duplexes, triplexes, and apartments and often offers incentives to developers and redevelopers to entice them to agree to relatively low rents. An example of this is the City's "Middle Housing Program" which encourages building duplexes, triplexes and other small multifamily developments in the city's older neighborhoods. This work is paying off in that the Central City saw a net increase (new construction less demolitions) of 1,653 residential units in 2024 according to a Knoxville-Knox County Planning report. Additionally, the monthly newsletter published by the East Tennessee Realtors stated that housing inventory was 38.3 percent higher in November of 2024 than it was the year before.

As a result, housing inventory is approximately 31.4% higher regionally than it was last year according to a recent article published by "Market Pulse." Additionally, the City continues to work hard to expedite the building process and has made great strides over the past two years in this regard in terms of building permits.

Additionally, revenues generated by downtown Knoxville businesses remain strong. Over the past 15 years, public and private investment has transformed Downtown Knoxville into a thriving commercial and residential center. With an eye on future growth, developers continue to bring vibrant new projects to the downtown footprint with ground-up construction and renovations that safeguard the city's history and architectural character.

The City has significant business developments underway and population continues to grow. For example Aqua Membranes recently decided to open a production facility in Knoxville which will add 95 new jobs and a \$6.5 million investment into the community. The manufacturing operation is the first

new location outside of its headquarters in New Mexico and they will be making spiral-wound membrane elements that help filter water. Additionally Axle Logistics redeveloped the Hull-Dobbs Building as its headquarters in Knoxville which is now an 85,000 square foot, five story headquarters. This campus has approximately 700 employees and room to grow to 1,200 employees. The City also has workers employed in many nationally known entities that employ thousands of Knoxville citizens. Just a few examples include the U.S. Department of Energy and its contractors, Covenant Health, Walmart, UT Medical Center, Clayton Homes, Denso, Food City and many others. The City and various partners also built a new multi-use stadium in close proximity to the downtown area that was completed in the spring of 2025. The new stadium is named Covenant Health Park and home to the Knoxville Smokies baseball team. In 2025 the stadium earned the merit based award for Ballpark of the Year according to baseball parks.com. Over the next 30 years, this stadium is projected to generate just short of \$282 million in net new direct spending that will generate approximately \$478 million in total output and 270 jobs according to an economic impact analysis by CSL.

Property values near the stadium have already risen in value as new businesses continue to be established in this vicinity. For example, Alpha Residential (a Pittsburgh based company is planning to build a mixed-use residential project near the stadium with 300 to 350 apartments, Jonathan's Grille, an upscale sports bar and restaurant based in Brentwood Tennessee, plans to open a new location across from the public plaza east of the ballpark, and a six story 175 room Marriott Hotel is planned to be built near the stadium in what is called the Old City. The tax revenues from these new projects will definitely assist the City in future revenues.

The City of Knoxville continues to see growth in local option sales tax and state shared sales tax although it has normalized from the accelerated growth experienced immediately following the pandemic. For example, the City's local option sales tax revenue grew by approximately 4.47% from FY 2024 to FY 2025 resulting in an additional \$2.95 million and grew by approximately 2.86% in stated shared sales tax revenue from FY 2024 to FY 2025 generating almost an additional \$600,000

Tourism continued to be a powerful driver of economic growth for Knoxville in FY24/25, with visitor-generated activity once again on the rise. From July 2024 through June 2025, overall hotel occupancy remained steady compared to the prior year, while the average daily rate increased by 3%. This growth pushed total hotel revenues to an all-time high of nearly \$302 million, representing a 2.5% year-over-year increase. Across the county, nearly 2.4 million rooms were sold during the fiscal year. Also of note is the fact that City Council amended the City Hotel Motel Tax Ordinance which increased the occupancy tax rate from 3 to 4 percent which should yield an additional \$1.5 to \$2 million per year in taxes.

Digital advertising and organic website activity directly generated 53,155 bookings for 118,225 room nights, contributing more than \$16.8 million in revenue. FY24/25 was also marked by major events and milestone announcements that elevated Knoxville's visibility on both national and international stages.

Some key highlights included the second annual Film Fest Knox, which earned recognition in MovieMaker Magazine's "50 Film Festivals Worth the Entry Fee." Additionally, Tour de Lights, Santa at the Sunsphere, the Visit Knoxville Open, and the Syndicate Crown, a CrossFit Games qualifying event were well attended. The 2025 AAU Girls Basketball World Championships were also held and Knoxville was selected as their home through 2030. Finally, Knoxville was proud to host its' partners at B.A.S.S. for the announcement of the Bassmaster Classic's return in 2026 and to share the exciting news that

Knoxville will welcome the TEAMS Conference & Expo which is one of the world’s largest gatherings of sports-event organizers—in 2030.

Finally, we made local history with the opening of the new Sunsphere Welcome Center in November of 2024, marking the first buildout of the iconic structure since its construction. The center now serves as a dynamic hub for the attraction and a storytelling space celebrating the legacy of the 1982 World’s Fair.

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

The history of Knoxville attracts interest in the present. Museums such as the East Tennessee History Center, The McClung Museum of Natural History and Culture, and the Beck Cultural Exchange Center, celebrate Knoxville’s rich heritage. From log cabins to frame houses to stately stone mansions, the Historic House Museums of Knoxville invite visitors into the past to experience the times and events that shaped them and the families who occupied them. Knoxville’s history includes the 1982 World’s Fair, where the Sunsphere stands today. Since reopening in February 2022, the Sunsphere has seen over 80,000 visitors from all 50 states and 53 countries. The Sunsphere is not only a physical remainder from the world’s fair, but an iconic snapshot of Knoxville: a bright beacon, welcoming to all.

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

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

Year	Collections	% Change
2015	\$37,187	3.92%
2016	\$40,743	9.56%
2017	\$40,787	0.11%
2018	\$40,884	0.24%
2019	\$42,596	4.19%
2020	\$43,526	2.18%
2021	\$48,791	12.10%
2022	\$56,944	16.71%
2023	\$63,056	10.73%
2024	\$65,952	4.59%
2025	\$68,897	4.47%

As shown in the preceding chart, in FY 2025 the City experienced a 4.47% increase in local option sales tax revenue (an additional approximate \$2.95 million). The City's local option sales tax revenue has been on the rise for many years and this trend continued from FY 2024 to FY 2025, but growth has normalized since the years immediately following end of the pandemic. The growth in sales tax revenue has helped protect the City from inflationary effects. This contributes to the financial status of the City remaining sound and is due to many factors such as major new developments in the city, tourism (hotels and restaurants), the creation of more housing, improvement in entertainment venues within the city, and a steady influx of people from other states. In fact, a recent article in the New York Post said that Americans are "predicted to move to Knoxville in droves in 2026." A study by "Move Buddha" surveyed search data from 2019 – 2025 to forecast the country's most sought after locales in 2026 and the southern city that proved the most popular was Knoxville

The presence of the University of Tennessee along with Tennessee Valley Authority, Oak Ridge National Laboratory and other large governmental entities lend stability to the area, making the local economy less cyclical than the national or state economy. The Knoxville metro area's civilian labor force (full and part-time, non-farm, wage and salary employees and self-employed persons) totaled approximately 455,000, according to data from the Knoxville Chamber, and the Chamber expects the region to expand by over 4,700 jobs in the next 12 months.

An extensive transportation network connects Knoxville to the U. S. marketplace. Nearly half of the nation's population is within an eight to ten-hour drive of Knoxville via I-40, I-75, and I-81, which meet in the metro area. The city is directly linked to the Great Lakes by the Interconnected Inland Water System and to the Gulf of Mexico by the Tennessee-Tombigbee Waterway. Barge shipping is facilitated by three local river terminals. Also serving the area are 44 truck lines, three railroads, and five airlines.

Additionally, the performance of our component units remains strong. The Knoxville Utilities Board (KUB), which provides electric, fiber, gas, water and wastewater to the City and outlying areas saw an increase in its net position of \$132.4 million in FY25, compared to an increase of \$96.2 million in FY24. KUB provides utility services to more than 519,000 customers in Knoxville and parts of seven surrounding counties. KUB's system is comprised of 5,570 miles of electric service lines, 64 electric substations, 2,609 miles of gas service mains, 1,417 miles of water service mains, 28 water storage facilities, 26 water booster pump stations, one water treatment plant, 1,349 miles of wastewater service mains, 80 wastewater pump stations, 4 wastewater treatment plants and more than 3,300 miles of fiber. KUB has approximately 1,200 employees. Functioning with an approved operating budget of \$1.2 billion and \$2.7 billion in net capital assets, KUB is one of the largest local power providers in the Tennessee Valley region.

The Metropolitan Knoxville Airport Authority (MCAA) is also in solid shape. The robust growth in airline flights and passengers that began in FY2022 continued in FY2025 at McGhee Tyson Airport. The airport served a record 3.55 million passengers in FY2025, which broke the previous record of 3.03 million set in FY2024. Excluding the COVID years of 2020 and 2021, McGhee Tyson Airport has now set seven new annual passenger activity records since 2015. McGhee Tyson Airport posted a 18.6% growth in airline passengers during calendar year 2024, which led to the airport being recognized as America's fastest-growing large airport (top-100 airports) for the calendar year.

Knoxville Area Transit (KAT) is the City of Knoxville's transit system, operating buses, trolleys and paratransit service across the city. KAT's funding comes from the City of Knoxville, state and federal governments and fare revenues. KAT carried over 2.9 million passenger trips during fiscal year 24/25. This was the highest ridership total since the pandemic and highest in ten years. With improvement in the workforce shortage, KAT has restored service and experienced a substantial increase in ridership. In August 2024, KAT launched KAT Reimagined an over two-year planning project that included route and service adjustments. KAT increased service to many of the routes to 30-minutes and doubled the weekend service hours. The service also improved in reliability with on-time performance increasing to 85% a vast improvement with the new bus network. KAT is still focused on improvements to bus stops and adding more electric buses to the fleet. The design and engineering of the electric bus overhead charging is near completion with construction to start next spring.

FY 25 finished positively for the City of Knoxville's Public Assembly Facilities. They began the FY projecting the economy would slow a bit, believing discretionary spending would halt as is the industry-wide National trend currently. As expected, there was a softening of ticket sales at the Knoxville Civic Auditorium & Coliseum and lower conference attendance at the Knoxville Convention Center, Worlds Fair Exhibition Hall and Chilhowee Park & Exposition Center. As such they refocused efforts to capture higher per-cap spending on food and beverages (F&B) and upsell ancillary revenue streams to increase client spending and improve operational costs. It paid off in that the Convention Center and Worlds Fair Exhibition Hall sales hit the highest sales revenue for the month of March in the center's history.

Public Assembly's Food and Beverage Team increased sales, where local concessions/food truck partnerships continue to be an attendee favorite offering a variety of local fare to enhance offerings. So, while as predicted attendance was lower by an average of 10%, they improved revenue per caps with food and beverage as well as other ancillary services. They hosted a total of 757,051 attendees, in 488 event bookings, with 1165 facility use days. In sum, It was an excellent year for each venue as we hosted big names, several large conventions, broke a few revenue records, and improved standard operating procedures.

The City of Knoxville is also an arts and culture destination whose festivals and attractions are recognized nationally for their quality, diversity, and innovation. In addition to conferences, conventions, and sporting events, Knoxville has many annual festivals and special events. A few of these include the Rossini Festival, Big Ears Festival, the Tennessee Valley Fair, the Asian Festival, and HoLa Festival. Outside of these, Knoxville has a thriving arts and culture scene with a variety of entertainment options year-round. The Knoxville Symphony Orchestra and the Knoxville Museum of Art are among the many exceptional arts organizations in the city that are enjoyed all year. Choral groups, dance companies, and over a dozen performance venues, including the Historic Tennessee and Bijou Theaters, also highlight the arts. From touring Broadway productions to live music shows almost daily at the WDVX broadcasting studio to free Jazz Concerts on the Square each week from May through September, there are many opportunities to enjoy the lively arts nearly every day of the year. The UT Downtown Gallery, the Emporium Center for Arts and Culture, and Dogwood Arts also feature regularly changing exhibits.

Among the city's many annual events are the Children's Festival of Reading (May); Mardi Growl Pet Parade & Festival (March); Film Fest Knox (November); Christmas at Chilhowee and the Fantasy of Trees (December). An astounding seven historic house museums along with the East Tennessee History Center, the McClung Museum of Natural History and Culture, and the Beck Cultural Exchange Center, celebrate Knoxville's rich heritage. No fewer than 175 nonprofits operate within the city's arts and culture sector, along with thousands of visual and performing artists, creatives, and other makers, earning Knoxville the distinction of being named a Maker City. Voted #2 in the nation in 2024 by USAToday, Knoxville's Art District showcases the work of local and international artists, and it's known as a place to find undiscovered artists in galleries and studios. An ArtWalk on the first Friday of every month spotlights local artists among the growing gallery scene. A recent survey by Americans for the Arts, found that Greater Knoxville's 62-million-dollar arts and culture industry employs 2,000 full-time workers and spending by their audiences generates \$29.6 million per year in tax revenues. An impressive 250,000 people participate in free arts and culture events in the city each year and 86% of attendees consider local arts and culture important to the community's quality of life.

Knox County is the principal gateway to the Great Smoky Mountains National Park, located 40 miles to the southeast. The nation's most-visited National Park extends over parts of the States of Tennessee and North Carolina and remains the most visited park in the country. The national park provides an economic hub generating a cumulative benefit to the local economy of \$3.4 billion and supports over 33,000 jobs in the local and surrounding area. Two tourist towns are located at the foothills of the Smoky Mountains: Gatlinburg and Pigeon Forge. Gatlinburg features numerous restaurants, craft shops, and gift stores, along with a ski lodge, ski-lifts, convention center and tramway, making it a year-round resort town. Pigeon Forge is a regionally well-known place to shop. Its attractions include Dollywood - a country-style theme park, a waterslide park, dinner theaters, numerous miniature golf courses, bumper boat rides, and theme museums. Knoxville seeks to capitalize from its location through the Women's Basketball Hall of Fame, the Knoxville Visitors Center, Outdoor Knoxville, Volunteer Landing, Neyland Stadium which is home of the University of Tennessee Volunteer football team, the Knoxville Botanical Gardens, and the Knoxville Zoo.

Knoxville is a thriving modern city with small town charm, known for its access to outdoor adventure and a downtown with a diverse music scene and numerous restaurants within one square mile. In fact, "CNN Travel" ranked Knoxville as one of the top 10 places to visit in America in 2024. The quality of life, convenient interstate access and other factors make the area an attractive location for many types of business/industry operations. Knoxville and the greater Knoxville area serves as home to some national and global industry leaders in the area such as Dollywood, Clayton Homes, Inc., Scripps Networks Interactive, Covenant Health, Pilot Flying J, and Covenant Health. Additionally, Sysco Corporation, one of the largest food service marketers and distributors in North America, also calls Knoxville home.

Knoxville serves as the health, educational, and governmental center of East Tennessee. Knoxville is home to the University of Tennessee's Knoxville (UTK) main campus which consists of 920 acres and 257 buildings. UTK experienced a record enrollment for the fall semester of 2025, with over 40,000 students, which is a 4.4 % increase over last year, and more than 7,100 new first-year students. UT

Knoxville ranked 52nd overall among public universities which was credited to improved retention and graduation rates. It also holds 95th place in the Best Value Schools rankings and 33rd place in the Most Innovative Schools. The University's undergraduate business program is ranked 25th among public universities while the supply chain/logistics program is ranked 4th nationally. Indeed, the University of Tennessee at Knoxville is one of the top schools in the country. Six other colleges operate in Knoxville, with many trade/vocational schools completing Knoxville's higher education system. Also operating in the area are six hospitals. The presence of the Tennessee Valley Authority, Oak Ridge National Laboratory, and The Y-12 National Security Complex serve as a magnet for technology-based corporations in East Tennessee. Access to world-class research facilities, federally-owned utility services and graduates from highly-ranked post-secondary institutions give Knoxville-based businesses a distinct advantage.

Relevant Financial Policies/Controls

Management of the City of Knoxville is responsible for establishing and maintaining an internal control structure. This structure protects the assets of the government from loss, theft or misuse. The system also ensures adequate accounting data are compiled to prepare financial statements in conformity with GAAP. The internal control structure provides reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

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

Other information

Independent Audit

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

MAJOR INITIATIVES

I. Redevelopment

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

economically and socially. Downtown Knoxville continues to enjoy a sustained resurgence since the start of this century, with a vibrant arts scene and cultural attractions, along with robust entertainment, shopping and dining opportunities.

II. Investing in Core Services

The work of the City to provide services that protect public health and safety is a primary and core function of City government. People deserve to be and feel safe in Knoxville, and our community cannot thrive unless residents are safe and secure. As such, the City budgets approximately \$101 million to directly support the pay and benefits for the men and women in uniform (Police and Fire) who work daily to keep our community safe. This included a \$225,000 to address needed market increases within the Fire department based on a recent analysis by a compensation consultant and also an additional \$50,000 to cover the costs of an increasing number of fire personnel obtaining advance medical training as Advanced Emergency Medical Technicians and Paramedics. Additionally, the City continues to invest in Public Safety by constructing a modern fire station in the heart of the Burlington Business District that is estimated to cost just over \$8 Million.

III. Investing in Critical Infrastructure

The City of Knoxville takes seriously its responsibility to meet the critical infrastructure needs that Knoxville's economy and neighborhoods rely on. In the most recent Capital Budget, the City invested \$47.9 million which reflects the funding of critical infrastructure, such as roadways, storm sewers, and other public assets. The City's capital budget also reflects core administrative goals to promote public safety, healthy neighborhoods, sustainability, and good jobs. Providing safe and reliable infrastructure to support Knoxville's transportation systems is another focus of the most recent capital budget. The City supports the Mayor's "Vision Zero" initiative to markedly reduce/eliminate traffic fatalities and appropriated \$450,000 to this end in the current budget. Additionally, the City invested in traffic calming initiatives, pedestrian infrastructure improvements the roadway safety program and sidewalk improvements across City neighborhoods. The recent budget also invested \$10.5 million in highway improvements.

IV. Investing in Partnerships

In addition to providing basic services and infrastructure, the City also advances its mission and administrative priorities through partnerships that leverage both public and private resources to solve challenges that face the Knoxville community. Partnerships to preserve and increase the supply of affordable housing are some of the most important strategies that the City invests in to support a growing and thriving community: a healthy economy and healthy housing market go hand in hand. The City uses Federal and local dollars to leverage support toward as many housing opportunities for people and families as possible, and numerous affordable units have opened since 2019 or are under construction thanks to the City's support, leveraging over \$700 million in other federal, state, and private investment. Established by ordinance in May 2021, the Knoxville Affordable Housing Fund is a 10-year, \$50 million commitment by the City of Knoxville to support the creation and preservation of safe, high-quality, and affordable housing to support the Knoxville community. Since creating the fund in 2021, the City has committed more than \$38.3 Million toward housing initiatives, including almost \$6 million in local funds in FY26.

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

of approximately \$3 million to support Knoxville's key economic development partners such as the Knoxville Chamber, Knoxville Community Development Corporation (KCDC), Visit Knoxville and the Knoxville Entrepreneur Center. This includes continued funding to support business development in Knoxville's Latino/Hispanic community in partnership with Centro Hispano and funding for the Knoxville Entrepreneur Center to support small businesses.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Knoxville for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This was the 39th year the City achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate. The City of Knoxville also received GFOA's Distinguished Budget Presentation Award for the annual operating budget for FY 25/26. This marks the 38th year that the City has won this Award. The Distinguished Budget Presentation Award recognizes that the City's budget document is a proficient policy document, financial plan, operation guide and communications medium.

Acknowledgments

This report results from the efforts of many people. Special recognition and appreciation goes to the dedicated service of the entire City Finance Department whose audit efforts are led by the Deputy Chief Financial Officer (Ms. Kittrin Smith), the assistance of the various departments, Savannah Kirk, the City's Internal Auditor, the guidance and assistance of the staff of the City's independent auditors, Crosslin, PLLC, and the City's Audit Committee which consists of four members of City Council and 3 non-City members who have experience in auditing, finance, accounting, and/or law. These members are Councilwoman Lauren Rider (Chair), Councilwoman Debbie Helsley, Councilwoman Amelia Parker, Councilwoman Lynne Fugate, Mr. Dustin Brock, Ms. Nikki Elliot, and Mr. Ronnie Brabson. The national recognition afforded the City of Knoxville could not have been achieved without the participation and enthusiasm of the residents of the community. Their exceptional response is the foundation for many programs and projects developed during the budgetary process which strengthen and benefit the lives of all Knoxvillians and the surrounding area. We express our sincere appreciation to these individuals and to City Council for their support and interest in improving Knoxville's fiscal policies and practices.

Respectfully,



Indya Kincannon,
Mayor



Boyce H. Evans, CMFO
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Knoxville
Tennessee**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

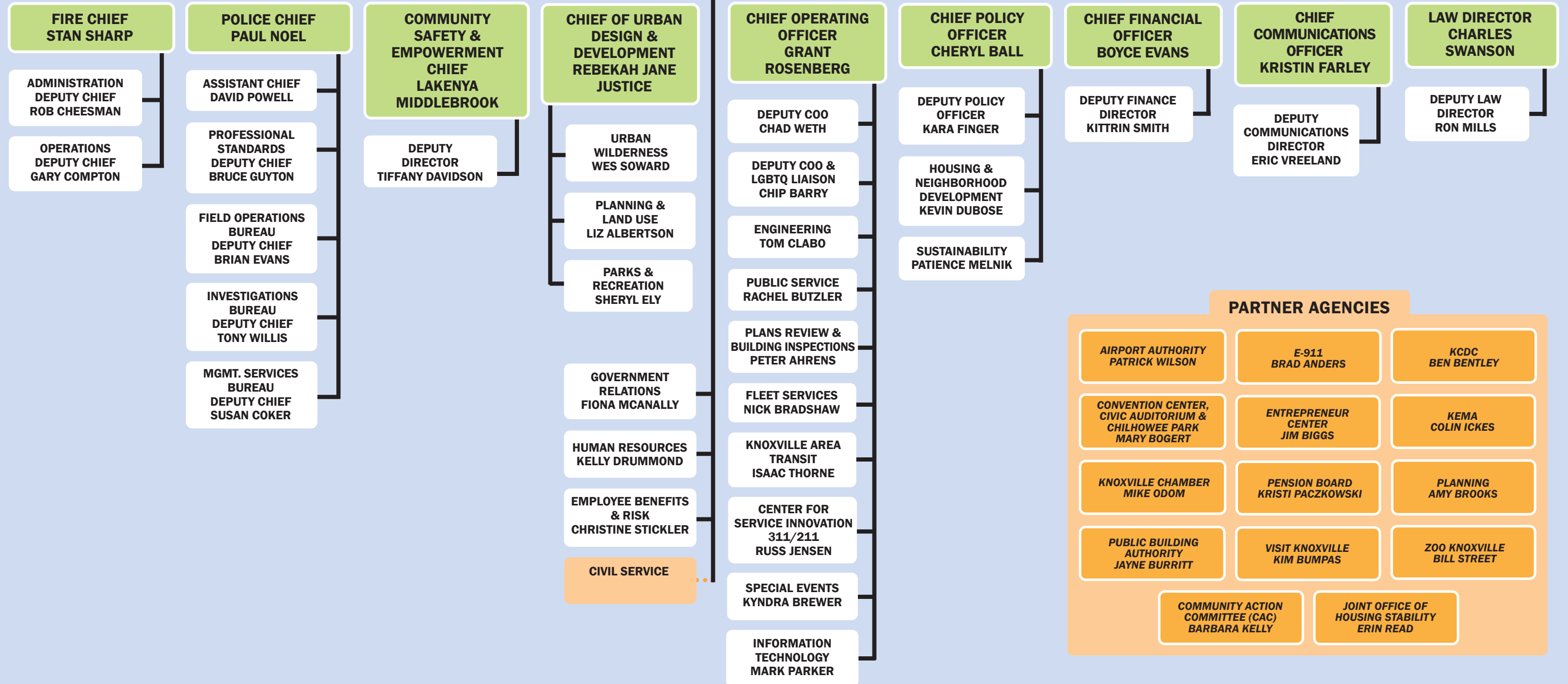
Executive Director/CEO



MAYOR INDYA KINCANNON



CHIEF OF STAFF DAVID BRACE



PRINCIPAL DIRECTORS AND ADMINISTRATORS

Mayor's Office	Mayor Indya Kincannon
Chief of Staff	David Brace
Chief Operating Officer	Grant Rosenberg
City Court	Tyler Caviness, Judge
Civil Service Merit Board	Melissa Foster, Director
Communications	Kristin Farley, Chief Communications Officer
Community Safety and Empowerment	LaKenya Middlebrook, Chief Safety & Empowerment
Employee Benefits & Risk Management	Christine Stickler, Director
Engineering	Tom Clabo, Director
Finance	Boyce Evans, Chief Financial Officer
Fire Department	Stan Sharp, Fire Chief
Housing and Neighborhood Development	Kevin Dubose, Director
Human Resources	Kelly Drummond, Director
Information Technology	Mark Parker, Director
Knoxville Area Transit	Isaac Thorne, Transit Director
Law Department	Charles Swanson, Law Director
Parks and Recreation	Sheryl Ely, Director
Police Department	Paul Noel, Police Chief
Policy	Cheryl Ball, Chief Policy Officer
Public Service	Rachel Butzler, Director
Urban Design and Development	Rebekah Justice, Chief of Urban Design & Development



FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Knoxville, Tennessee, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and miscellaneous community development funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units: the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which represent 98 percent, 97 percent, and 96 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units of the City as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary schedules on pages 105 through 142, and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
January 30, 2026

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) aids the reader in understanding the City of Knoxville's basic financial statements and financial position. It is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter that begins on page "i" and with the financial statements that follow. All amounts are expressed in dollars, unless otherwise specified, for the results of operations for the Fiscal Year ending June 30, 2025.

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 \$1,007,606,754 (*net position*). Of this amount, \$402,434,542 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$42,590,146 a change of 4.41%, when compared to FY2024 ending net position. Governmental Activities contributed \$38.1M to the increase while Business Type Activities contributed \$4.5M, this is less transfers. The Governmental Activities revenue associated with Operating Grants for Public Safety, Unrestricted Investment Earnings, and Intergovernmental revenue contributed to the change in net position.
- As of the close of the fiscal year, the city's governmental funds reported combined ending fund balances of \$374,976,856, a decrease of (\$30,256,079) compared to the prior year. Of this total, \$339,691,101 or 90.59% is either non-spendable, restricted, committed, or assigned. The remaining balance of \$35,285,755 is available for other uses.
- The ending fund balance in the City's General Fund decreased by (\$21,590,188) or 13.32% compared to the prior year ending fund balance. For FY2025, \$25,545,330 was appropriated from unassigned fund balance to augment General Fund revenues to balance the planned budget expenditures. Overall tax collections came in lower than anticipated by (\$5,180,265) and contributed to increasing the amount of unassigned fund balance needed to support expenditures. Consistent with Governmental Accounting Standards Board (GASB) standards for fund balances, a total of \$548,418 is considered non-spendable and \$104,618,195 is assigned or committed. The remaining balance of \$35,285,755 is available for spending at the City's discretion.
- The City's total long-term debt for the primary government decreased by (\$11,720,000) from \$152,755,000 to \$141,035,000 during the fiscal year. The net decrease is the result of our debt service payments made during FY 2025

Overview of the Financial Statements

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

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

and the funds statements provide relevant information on the various funds. Further detail and explanation of pertinent information and operations is provided in the financial statements and in the notes that follow.

Government-Wide Financial Statements

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

Primary Government

Governmental Activities
Business-Type Activities

Component Units

Knoxville Utilities Board
Metropolitan Knoxville Airport Authority
Knoxville Area Transit

STATEMENT OF NET POSITION

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

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

STATEMENT OF ACTIVITIES

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

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers

may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Major Governmental Funds

General
Debt Service
Capital Projects
Miscellaneous Community
Development Funds

Non-Major Governmental Funds/Special Revenue Funds

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

Permanent Fund

Krutch Park Trust

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

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

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

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

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

Proprietary Funds

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

governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

Business-Type Activities

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

Governmental Activities/Internal Service Funds

Fleet Maintenance
Risk Management
Health Insurance
Equipment Replacement
City Buildings

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

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

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

Fiduciary and Component Unit Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

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

Statement of Net Position at June 30, 2025

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	
	2025	2024	2025	2024	2025	2024
Assets						
Cash and investments	\$ 532,895	\$ 556,106	\$ 122,353	\$ 94,295	\$ 655,249	\$ 650,401
Other assets	263,469	247,846	7,744	17,080	271,213	264,926
Capital assets	600,204	551,241	121,927	126,501	722,131	677,742
Total assets	1,396,568	1,355,193	252,025	237,876	1,648,592	1,593,068
Deferred Outflows	111,935	120,107	-	-	111,935	120,107
Liabilities						
Other liabilities	24,480	26,485	5,637	10,057	30,117	36,542
Noncurrent liabilities	448,605	448,720	60,904	60,995	509,509	509,715
Total liabilities	473,085	475,205	66,542	71,052	539,626	546,257
Deferred Inflows	213,494	201,901	(199)	-	213,295	201,901
Net position						
Net investment in capital assets	493,041	445,258	61,249	60,916	554,290	506,174
Restricted	19,583	20,613	31,299	-	50,882	20,613
Unrestricted	309,300	332,322	93,134	105,908	402,435	438,230
Total net position	\$ 821,925	\$ 798,193	\$ 185,682	\$ 166,824	\$1,007,607	\$ 965,017

Governmental Activities

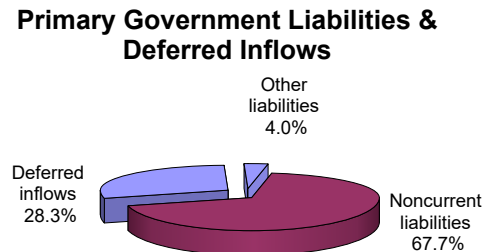
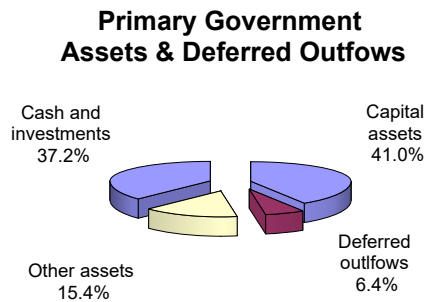
Assets have increased by 3.05% and liabilities have decreased by (0.45%) when compared to FY2024 levels. The increase in assets is due primarily to an increase in capital assets that are classified as "construction in progress." Noncurrent liabilities are relatively flat compared to the prior fiscal year. The result of these changes is an increase in total net position of 2.97%.

Business-Type Activities

Assets and liabilities changed by 5.95% and (6.35%) respectively from FY2024 levels. The overall result of all these changes is an 11.30% increase in net position.

Total Primary Government

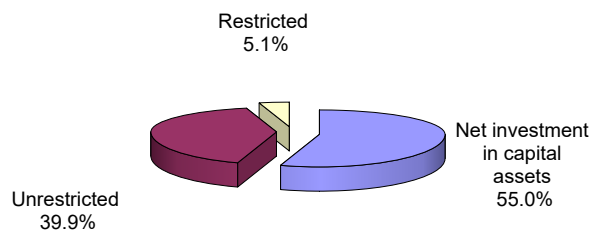
The City's capital assets, including land and buildings, equipment, furniture and fixtures, infrastructure, and construction in progress account for 41.02% of \$1,760.5 million in total assets and deferred outflows. Taxes and governmental receivables and other assets constitute 15.41%. Current liquid assets comprised of cash and investments represents 37.22% and deferred outflows representing pension and other post-employment benefits account for 6.36%.



Of the total government liabilities and deferred inflows, 67.68% are in long-term debt. Of the total long-term debt, approximately \$58.9 million, is related to debt issued to finance the convention center and approximately \$60.1 million pertains to the new Safety Complex that was completed a few years ago.

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 39.94% of total primary government net assets.

Primary Government Total Net Position



STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

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	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 13,837	\$ 14,021	\$ 21,452	\$ 20,835	\$ 35,290	\$ 34,855
Operating grants & contributions	17,981	15,040	500	1,500	18,481	16,540
Capital grants & contributions	4,344	22,809	2,701	1,039	7,045	23,848
General revenues:						
Taxes	327,411	327,661	19,123	17,105	346,533	344,766
Interest	26,331	28,528	4,702	4,664	31,033	33,192
Other	10,318	9,432	19	205	10,337	9,638
Total revenues	400,222	417,491	48,496	45,347	448,719	462,838
Expenses:						
General government	43,325	63,336	-	-	43,325	63,336
Public safety	160,058	142,684	-	-	160,058	142,684
Physical Environment	83,074	74,148	-	-	83,074	74,148
Transportation	22,626	19,011	-	-	22,626	19,011
Economic development	18,140	15,841	-	-	18,140	15,841
Parks and recreation	18,100	15,290	-	-	18,100	15,290
Health & Sanitation	13,389	11,913	-	-	13,389	11,913
Interest on long-term debt	3,419	3,539	-	-	3,419	3,539
Other	-	-	43,997	42,413	43,997	42,413
Total expenses	362,131	345,763	43,997	42,413	406,128	388,177
Increase (decrease) in net position before transfers	38,091	71,728	4,499	2,934	42,592	74,661
Transfers	(14,359)	(13,889)	14,359	13,889	-	-
Changes in net position	23,732	57,839	18,859	16,823	42,589	74,662
Beginning net position	798,193	740,354	166,824	150,001	965,017	890,355
Ending net position	\$ 821,925	\$ 798,193	\$ 185,682	\$ 166,824	\$ 1,007,607	\$ 965,017

Reflected in the Government-Wide Statement of Activities for the fiscal year ending June 30, 2025, only the General and State Street Aid Funds (not including miscellaneous grant funds) generated material revenues in excess of current operating expenditures. Excess revenue generated by the General Fund is used to support funds that are not self-sufficient and to maintain reserves necessary for proper operation of the city. Property tax collections for the General Fund decreased by approximately \$2.3 million. This was primarily due to the equalization rate on both public utilities and personal property taxes. However, this decrease was offset by an increase in the local option sales tax collections of 4.47% from FY 2024 to FY 2025.

Surplus Debt Service fund revenues are generally used for one-time expenditures, capital projects or to retire debt. Excess City Court revenues, if any, are transferred to the General Fund to finance general operations. Public safety operations (police, fire, emergency management and codes enforcement) accounted for 44.2% of the City's total governmental operation expenses of \$362.1 million. All other City operations are financed by either local or state taxes, grants, or various shared revenues.

Business-type Activities

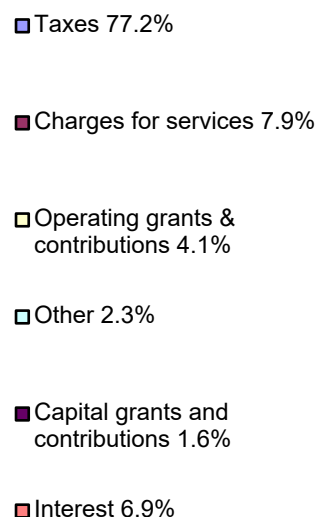
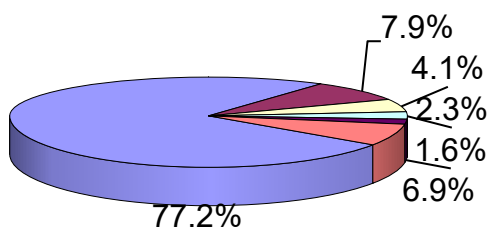
The City's business-type activities include metro parking, public assembly facilities and the municipal golf courses. Note that "public assembly facilities" consist of the Convention Center, Civic Coliseum/Auditorium, the World's Fair Exhibition Center and Chilhowee Park. Home of the University of Tennessee's main campus, Knoxville attracts thousands of visitors yearly for various sporting events. Neyland Stadium, the nation's sixth largest college football stadium, attracts over one hundred thousand loyal fans per home game. Proximity to outdoor recreational facilities such as the lake region and The Great Smoky Mountains National Park make the Knoxville area an ideal tourist destination. With this in mind, it is no surprise that many organizations choose to hold events at the Knoxville Convention Center to take advantage of Knoxville's unique geographic location. Current expenses exceed revenues for these business type activities which is generally "the norm" for cities that own entertainment/recreational type facilities.

However, the local economy benefits greatly from the impact of lodging, restaurant, and various recreational consumer spending. To assist with repayment of the debt associated with the Convention Center, a dedicated City Hotel/Motel tax was pledged and used. However, during FY 24/25 City Council provided more flexibility for the use of City Hotel Motel Tax proceeds by allowing these funds to be spent on other tourism related items pursuant to state law. This enables the City to spend some of these funds on capital initiatives at the Knoxville Civic Auditorium and Coliseum and other venues that draw tourists to Knoxville. Additionally, the occupancy tax rate from City Hotel Motel Tax was raised from three percent to four percent which will generate additional revenue for use by the City.

Total Government

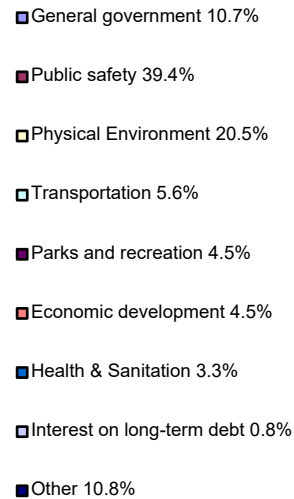
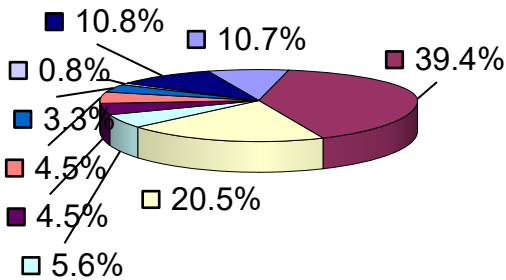
Primary Government Revenues were \$448.7 million. The largest portion of these revenues (\$346.5 million or 77.23%) was from taxes.

**Primary Government
Total Revenues**



Total primary government expenses totaled \$406.1 million, 39.41% of which was directed toward public safety.

Primary Government Total Expenses



Component Units

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

Condensed Financial Information

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

	Knoxville Utilities Board		Metropolitan Knoxville Airport Authority		Knoxville Area Transit		Totals	
	2025	2024	2025	2024	2025	2024	2025	2024
Program Revenues	\$ 1,061,114	\$ 953,991	\$ 107,468	\$ 72,053	\$ 51,127	\$ 42,166	\$ 1,219,709	\$ 1,068,210
Program Expenses	(945,229)	(876,279)	(64,130)	(54,174)	(45,356)	(39,663)	(1,054,715)	(970,116)
Total General Revenues	16,544	18,476	6,949	8,749	(272)	(3,539)	23,221	23,686
Change in Net Assets	132,429	96,187	50,287	26,628	5,499	(1,036)	188,215	121,779
Net Position at Year End	\$ 1,661,477	\$ 1,529,047	\$ 419,337	\$ 369,049	\$ 63,042	\$ 57,543	\$ 2,143,856	\$ 1,955,639

Financial Analysis of the Governmental Funds

Balance Sheet at June 30, 2025

The total Governmental Funds fund balance as of June 30, 2025 was \$375.0 million of which the general fund's balance is approximately \$140.5 million, the debt service fund is \$51.7 million, capital projects funds comprise \$135.9 million, miscellaneous community development funds total \$2.1 million and the remaining \$44.8 million is distributed among the various special revenue and permanent funds. In aggregate, the total Governmental Funds' fund balances decreased by \$30.3 million (or 7.47%) when compared to the prior year. The change was predominantly in the General Fund (decreasing 13.32%) due to appropriating money from the General Fund to augment General Fund revenue to balance the planned budgetary expenditures. Specifically, the City appropriated \$15 million from General Fund Unassigned Fund Balance in the FY 24/25 Budget and appropriated additional dollars in subsequent FY 24/25 budget amendments to include a relatively large lease to support the Police Department. The change in fund balance for the Debt Service Fund was minimal, increasing \$0.2M, while the Capital Fund had a decrease of (\$7.4M) in fund balance. The change in the Capital Fund balance was driven by a decrease of \$20M in state grants that was partially offset by additional General Fund transfers.

Statement of Revenues, Expenditures & Changes in Fund Balances for the Year Ended June 30, 2025

The following schedule presents a summary of total governmental funds, which includes General Fund, Debt Service Fund, Capital Projects Fund and other governmental funds for the fiscal year ended June 30, 2025, 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	2025	2024	Percent of Total 2025	Change from Prior Year Increase (Decrease)	Percent Change
Taxes, assessments, interest & penalties	\$ 296,551	\$ 296,523	73.72%	\$ 27	0.01%
Licenses, permits and inspection charges	6,064	6,376	1.51%	(312)	(4.89%)
Intergovernmental revenue	50,063	65,863	12.45%	(15,800)	(23.99%)
Charges for services	6,890	6,345	1.71%	545	8.59%
Fines and forfeitures	2,341	2,739	0.58%	(398)	(14.53%)
Other	25,316	24,400	6.29%	915	3.75%
Totals	<u>\$ 387,224</u>	<u>\$ 402,246</u>	<u>96.27%</u>	<u>\$ (15,023)</u>	<u>(3.73%)</u>

A comparison of revenues between FY2024 and FY2025 shows Total Government Fund revenues were down by approximately (\$15.0 million) or 3.73%. Local option sales tax increased by 4.47% in FY2025 compared to FY2024. Intergovernmental revenue, which reflects grant funding earned and awarded, decreased by 23.99% (\$15.8 million) and interest income decreased by approximately (\$1.2 million). Charges for services increased approximately 8.59%, \$0.5 million. Property Tax revenue decreased during FY2025 by (1.45%) due to the equalization rate regarding public utilities and personal property taxes.

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, 2025, 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	2025	2024	Percent of Total 2025	Change from Prior Year	
				Increase (Decrease)	Percent Change
Administration	\$ 14,672	\$ 11,297	3.66%	\$ 3,375	29.88%
Finance	4,766	7,276	1.19%	(2,510)	(34.50%)
Information Systems	5,657	5,186	1.41%	471	9.08%
Community Development	11,487	11,522	2.86%	(36)	(0.31%)
South Knoxville Waterfront	484	372	0.12%	113	30.29%
Parks & Recreation	11,558	9,915	2.88%	1,643	16.57%
Mass Transit	22,626	19,011	5.64%	3,615	19.01%
Engineering	21,033	25,323	5.24%	(4,290)	(16.94%)
Public Services	49,766	46,484	12.41%	3,282	7.06%
Law	4,302	4,062	1.07%	240	5.91%
Police	91,968	73,170	22.92%	18,798	25.69%
Emergency Management	777	1,093	0.19%	(315)	(28.86%)
Fire	55,467	53,329	13.83%	2,137	4.01%
Codes Enforcement	(0)	29	0.00%	(29)	(100.03%)
Legislative	1,182	1,118	0.29%	64	5.69%
Civil Service	2,157	1,796	0.54%	362	20.13%
City Elections	-	483	0.00%	(483)	N/A
Metropolitan Planning Commission	1,490	1,305	0.37%	185	14.18%
Knoxville Zoological Park	1,679	1,622	0.42%	57	3.50%
Community Agency Grants	1,563	1,393	0.39%	170	12.20%
Community Action Committee	1,456	1,096	0.36%	360	32.84%
Tax Increment Payments	3,464	3,532	0.86%	(68)	(1.92%)
Other General Government	23,347	22,137	5.82%	1,210	5.46%
Capital and Grant Projects	58,469	41,859	14.57%	16,610	39.68%
Debt service:					
Issuance Costs	-	-	0.00%	-	N/A
Principal retirement	8,113	9,097	2.02%	(984)	(10.82%)
Interest on bonds and notes	3,697	3,882	0.92%	(186)	(4.79%)
Total Expenditures	<u>\$ 401,178</u>	<u>\$ 357,388</u>	<u>100.00%</u>	<u>\$ 43,790</u>	<u>12.25%</u>

Overall, Total Governmental Funds expenditures in FY2025 increased by approximately \$43.8 million. This is primarily due to personnel (salaries and benefits) cost increases across all departments. Public Safety (Police, Fire, and Emergency Management) increased by \$18.8 million due primarily to increased personnel costs and an increase in Police expenditures of \$11.0M for an in-car and bodycam video capture and management lease.

Proprietary Funds Statements

Statement of Net Position at June 30, 2025

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

Statement of Revenues, Expenditures and Changes in Fund Net Position for the Year Ended June 30, 2025

The statement of the revenues, expenses, and transfers indicates that there is an increase in total Proprietary Funds net position, including internal service funds, of \$44.3 million, after transfers.

Statement of Cash Flows for the Year Ended June 30, 2025

The four main business type activities of the City are the Convention Center, Metro Parking, Public Assembly Facilities and the Municipal Golf Courses. The net position of the City's business type activities increased by \$18.9 million from FY 2024 to FY 2025. This is primarily attributed to solid local economic conditions and the local tourism industry, Knoxville's well attended numerous annual festivals, and the fact that Knoxville has become an established destination for nature and recreation enthusiasts. The Metro Parking Fund (parking garages) and Public Assembly Facilities finished the fiscal year with increases in cash balance. The city's two golf courses continued to have a small operating loss which was partially covered with subsidies from the General Fund. The following table shows revenues, expenses, net interfund transfers, net income and net position at fiscal year-end for the proprietary funds.

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

Proprietary Funds	Revenues		Expenses		Net Interfund Transfers	
	2025	2024	2025	2024	2025	2024
I. Business-type Activities						
A. Knoxville Convention Center	\$ 32,661	\$ 30,739	\$ 23,981	\$ 23,674	\$ 6,258	\$ 7,090
B. Other (Non-major enterprise funds)						
1. Metro Parking	5,335	4,616	5,543	4,690	800	-
2. Public Assembly Facilities	6,500	7,065	12,306	12,067	7,071	6,445
3. Municipal Golf Courses	1,920	1,853	2,168	1,983	230	354
Total Business-type Activities	<u>46,416</u>	<u>44,274</u>	<u>43,997</u>	<u>42,414</u>	<u>14,359</u>	<u>13,889</u>
II. Governmental Activities						
A. Internal Service Funds						
1. Fleet Maintenance	25,993	25,901	18,586	17,267	5,697	225
2. Risk Management	11,485	10,079	7,806	8,888	1,078	(178)
3. Health Insurance	27,122	25,694	27,749	25,797	-	-
4. Equipment Replacement	5,474	5,329	3,653	3,268	4,500	554
5. City Buildings	7,112	6,617	6,685	5,734	-	-
Total Governmental Activities	<u>77,186</u>	<u>73,620</u>	<u>64,478</u>	<u>60,955</u>	<u>11,275</u>	<u>601</u>
Totals	<u>\$ 123,602</u>	<u>\$ 117,894</u>	<u>\$ 108,475</u>	<u>\$ 103,368</u>	<u>\$ 25,635</u>	<u>\$ 14,490</u>

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

Proprietary Funds	Capital Contributions		Change in Net Position		Net Position at Year End	
	2025	2024	2025	2024	2025	2024
I. Business-type Activities						
A. Knoxville Convention Center	\$ -	\$ -	\$ 14,938	\$ 14,155	\$ 119,243	\$ 104,306
B. Other (Non-major enterprise funds)						
1. Metro Parking	270	178	863	104	30,922	30,059
2. Public Assembly Facilities	1,774	861	3,039	2,304	32,456	29,417
3. Municipal Golf Courses	36	34	19	259	3,060	3,041
Total Business-type Activities	2,080	1,073	18,858	16,822	185,682	166,824
II. Governmental Activities						
A. Internal Service Funds						
1. Fleet Maintenance	347	472	13,451	9,331	121,701	108,250
2. Risk Management	-	-	4,757	1,013	26,728	21,970
3. Health Insurance	-	-	(627)	(103)	21,404	22,030
4. Equipment Replacement	1,134	1,370	7,456	3,985	49,790	42,334
5. City Buildings	-	-	427	883	5,576	5,149
Total Governmental Activities	1,481	1,842	25,464	15,109	225,198	199,734
Totals	\$ 3,561	\$ 2,916	\$ 44,323	\$ 31,931	\$ 410,880	\$ 366,557

Fiduciary Funds Statements

Fiduciary Funds Statements. The City Employees' Pension Trust Fund was historically reported with the Combined Agency Funds (City Choice Plus and the Employee Health Savings Fund) in the fiduciary fund statements. Starting in FY 2025 the City Choice Plus and Health Savings Fund are reported in the Health Insurance Fund (an internal service fund). This change aligns with GFOA best practices. 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

	FY2025 Contribution Rates	FY2024 Contribution Rates	Estimated FY2026 Contribution Rates
General Government Employees (Closed)	7.98%	7.78%	7.97%
General Government Employees (Open)	9.48%	8.79%	9.47%
Uniformed Employees (Closed)	18.38%	18.26%	18.60%
Uniformed Employees (Open)	13.78%	12.74%	13.76%

The City's Pension Fund is being funded, as required by the State of Tennessee and as determined by the System's actuary. The Fund is currently 73.30% funded. The City is currently amortizing the unfunded portion according to an actuarial determined schedule. Beginning in FY18, the unamortized portion of the closed plans began being paid as a direct cost rather than as a percentage of payroll. For FY25 this amount was \$23 million and is estimated at \$25.3 million in FY26. The actuary performed an experience study for the five years ended July 1, 2021, the results of the study went into effect for July 1, 2022. At the recommendation of this study the amortization of the unfunded liability was reset so that the plan is to be

fully funded in 20 years. For comparison purposes, if everything were expressed as a percentage of payroll for the closed plans, it would be 35.13% in FY24 and 38.63% in FY25 for General Government employees, and 63.16% and 67.28% respectively for Police and Fire employees. In FY2012, the City shifted all newly hired employees to a hybrid-based pension plan. Lower employer contribution rates for these individuals offsets a portion of the increased costs in funding the older plans. This has resulted in fairly level nominal contributions in future years as the contributions listed above for the open plans are based on the percentage of payroll and average approximately 9.3% for general government and 13.8% for uniformed employees.

The largest expected increase in costs is associated with pension expenditures. The City has a defined benefit system for all employees under varying plans since 1929. In 2012, the Citizens approved the latest tier for employees hired after January 1, 2013. The new plan (Plan H) is a hybrid plan and is expected to reduce future costs while still providing a lifetime monthly benefit to the employees. However, the legacy plans in place are currently underfunded. The Actuarially Determined Contributions (ADC) includes an amortization of the unfunded liability which is being amortized over a closed 20 year period and currently has 17 years remaining as of July 1, 2025. As mentioned previously, the actuarial experience study resulted in some recommended changes in the Plan's assumptions and the amortization period. Longer life expectancies and investment the lowering of return on investment assumptions contributed to the increase in the overall pension liability. The investment return assumption for FY25 is 7.10%, but will decrease by .05% for the next two years until reaching 7.0% in FY27. For the next several years, the amortization of the unfunded liability will cause the contributions to increase before leveling off.

General Fund Budgetary Highlights

During the year there was \$20.7M 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, 2025

Department	Carry Forward of Prior Year		Total Changes
	Encumbrances	Other	
Administration	\$ 372,325	\$ (504,639)	\$ (132,314)
Finance	33,924	(1,057,491)	(1,023,567)
Information Systems	53,909	(414,457)	(360,548)
Community Development	569,603	(239,170)	330,433
Public Service	46,699	(1,772,109)	(1,725,409)
Engineering	179,273	127,357	306,629
Inspections	74	-	74
Parks and Recreation	-	(487,526)	(487,526)
Mass Transit	-	(4,198,000)	(4,198,000)
Law	24,481	104,046	128,527
Police	406,253	8,871,383	9,277,637
Fire	18,726	(519,261)	(500,535)
Legislative	26,228	3,150	29,378
Civil Service	5,025	25,000	30,025
Human Resources	-	26,372	26,372
City Elections	-	75,000	75,000
Knoxville Zoo	-	-	-
Agency Grants	-	500,000	500,000
Other Non-Departmental	-	295,000	295,000
Community Action Committee (CAC)	-	-	-
Transfers	-	18,111,556	18,111,556
Total General Fund	<u>\$ 1,736,521</u>	<u>\$ 18,946,212</u>	<u>\$ 20,682,733</u>

Approximately 8.4% of the change in budget amendments are due to the reappropriation of prior year encumbrances valued at \$1.7 million and are reflected in multiple city departments. The Police Budget increase of \$9.3M is being driven by GASB 96, Subscription- Based Information Technology Arrangements. This standard required the City to expense \$11M related to an in-car and bodycam video capture and management lease. The decrease in budgets, to include Mass Transit (\$4.2M) and Public Service (\$1.7M) as well as Finance (\$1.0M) helped offset the budget increase in Police. The increase in Transfers of \$18.1 million went to fund Capital projects of \$8.4M as well as inflation and replacement costs in Fleet of \$5M, and the Equipment Replacement Fund of \$4.3M.

Capital Asset and Debt Administration

As of June 30, 2025, the primary government had net investment of \$722.1M in capital assets. Buildings and Improvements which was an increase of \$3.1M. This increase is primarily driven by renovations to the 6th floor of the City County building and Worlds Fair Park Concessions renovation. Equipment, furniture, and fixtures increased by \$15.4M. This increase is primarily due to the purchase of a fire tanker truck, street sweepers and other public safety equipment. Infrastructure increased by \$16.0M resulting from projects completed in FY25, such as Paving and Resurfacing Projects, Pedestrian Infrastructure Improvements, Traffic Signal Modernization, Sidewalk Replacements, and Drainage Improvements. The City has many ongoing programs that maintain roadways, bridges, creeks, and drains to help preserve infrastructure. Construction in progress increased by \$36.34 million. This increase is mainly due to funding for the South Waterfront Pedestrian bridge, Western Heights Infrastructure Improvements and Urban Wilderness development. 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	
	2025	2024	2025	2024	2025	2024
Land and site improvements	\$ 85,669	\$ 85,667	\$ 7,686	\$ 7,686	\$ 93,355	\$ 93,356
Buildings and improvements	158,858	155,908	234,473	234,319	393,332	390,227
Equipment, furniture & fixtures	167,821	153,864	13,400	11,998	181,222	165,862
Infrastructure	585,893	569,903	31,845	31,809	617,738	601,712
Construction in progress	80,308	45,073	2,291	1,183	82,599	46,255
Net Right of Use Lease and SBITA	16,607	5,505	-	-	16,607	5,504
Less accumulated depreciation & amortization	(494,954)	(464,679)	(167,769)	(160,494)	(662,722)	(625,174)
Totals	<u>\$ 600,204</u>	<u>\$ 551,241</u>	<u>\$ 121,927</u>	<u>\$ 126,501</u>	<u>\$ 722,131</u>	<u>\$ 677,742</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	
	2025	2024	2025	2024	2025	2024
Beginning balance	\$ 1,015,920	\$ 969,391	\$ 286,995	\$ 285,874	\$ 1,302,915	\$ 1,255,265
Additions	155,760	161,417	3,883	1,264	159,643	162,681
Deletions	(76,523)	(114,888)	(1,183)	(143)	(77,705)	(115,031)
Balance before depreciation and amortization	1,095,157	1,015,920	289,696	286,995	1,384,853	1,302,915
Accumulated depreciation and amortization	(494,954)	(464,679)	(167,769)	(160,494)	(662,722)	(625,174)
Balance after depreciation and amortization	<u>\$ 600,204</u>	<u>\$ 551,241</u>	<u>\$ 121,927</u>	<u>\$ 126,501</u>	<u>\$ 722,131</u>	<u>\$ 677,742</u>

As of the year-end, the City's Total Primary Government had \$141.0 million in general obligation and note debt outstanding.

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Inc / (Dec.)
	2025	2024	2025	2024	2025	2024	
Current - Due in 1 year:							
General Obligation Bonds	\$ 5,565	\$ 6,960	\$ 7,475	\$ 4,590	\$ 13,040	\$ 11,550	\$ 1,490
Section 108 Loan	170	170	-	-	170	170	-
Total Current	5,735	7,130	7,475	4,590	13,210	11,720	1,490
Non Current - Due in more than 1 year:							
General Obligation Bonds	74,595	80,160	51,520	58,995	126,115	139,155	(13,040)
Section 108 Loan	1,710	1,880	-	-	1,710	1,880	(170)
Note Payable	-	-	-	-	-	-	-
Total Non Current	76,305	82,040	51,520	58,995	127,825	141,035	(13,210)
Subtotal	82,040	89,170	58,995	63,585	141,035	152,755	(11,720)
Unamortized Premiums, Discounts and Gain on Refunding	14,846	15,874	1,882	2,000	16,729	17,874	(1,146)
Total Long Term Debt	<u>\$ 96,886</u>	<u>\$ 105,044</u>	<u>\$ 60,877</u>	<u>\$ 65,585</u>	<u>\$ 157,764</u>	<u>\$ 170,629</u>	<u>\$ (12,866)</u>

Ratings on the City's General Obligation Bonded debt are depicted below.

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

	2025	2024
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AAA	AAA
Fitch Ratings	AAA	AAA

Economic Factors

Despite the nationwide housing crisis, relatively high interest rates and inflationary costs, in FY 2025 the City of Knoxville's overall financial status remained sound. This is due to many factors such as major new developments in the city, continued sales tax revenue growth, the tourism industry (hotels and restaurants), the ongoing creation of more housing, improvements in entertainment venues, and a continued steady influx of people (primarily young adults ages 20-44) from other states.

As with most local governments, the largest source of revenue for the City is taxes. This category represents \$277.8 million or 85.72% of the total operating revenue to the General Fund. The largest amount comes from property taxes. Property taxes are divided among real property, personal property, and public utilities. The growth rate for assessed value on real estate increased in FY 24/25 and this trend will likely continue due to increased real property development initiatives that are underway. In FY2025 the taxable value of real property increased by 1.88% and the overall tax roll increased by 2.24%. This increase is attributed to new developments. Going forward we forecast growth in this source as persons continue to move to the greater Knoxville area from other states. We expect limited growth in the valuation of Public Utility property. However, during FY 24/25 the decision was made to go to a two year reappraisal cycle rather than the current four year reappraisal cycle. The more frequent reappraisals will slightly increase the revenue from both the Personal Property Tax and the Public Utility Tax and then hold relatively steady in the out-years. Historically, the city has collected an average of 96.62% of property taxes. The trend has, in recent years, been upward due to better economic conditions and enhanced collection efforts. The trend in personal property has been more volatile but has trended upward in the recent past.

Local option sales tax revenues represent approximately \$68.9 million or 21.26% of total General Fund revenues. This source, in both Tennessee and the greater Knoxville area, continued to grow, albeit at a slower rate than in previous fiscal years, and came in at just under \$69 Million for FY2025. Growth in local option sales tax revenue in FY2025 increased by 4.47%, or approximately \$3.0 million when compared to FY2024. Going forward we forecast that the growth will continue to grow but at a relatively slower rate than in previous years.

The third largest revenue category of the General Fund is intergovernmental revenue, and accounts for \$32.2 million or 9.93% of total revenue. When compared to FY2024 this represents an increase of approximately \$0.3 million or 0.79%.

Other revenue sources include fines and forfeitures and miscellaneous revenue items increased \$0.8 million. Miscellaneous revenue was the main driver of this increase, \$1.8 million, but was partially offset by a decrease in interest revenue, (\$1.2 million). Charges for Services had a slight decrease of (6.92%), (\$0.2 million), to FY2024.

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

The Fund balance in the General Fund decreased relative to the prior year due to appropriating some fund balance to augment revenues in the General Fund for planned budgetary expenditures.

An expected increase in costs is associated with pension expenditures. The City has a defined benefit system for all employees under varying plans since 1929. In 2012, the Citizens approved the latest tier for employees hired after January 1, 2013. The new plan (Plan H) is a hybrid plan and is reducing future costs

while still providing a lifetime monthly benefit to the employees. However, the legacy plans in place are currently underfunded. The Actuarially Determined Contributions (ADC) includes an amortization of the unfunded liability which is being amortized over a closed 20 year period and currently has 17 years remaining as of July 1, 2025. In 2021, the City decided to lower the Pension “discount rate or return on investment forecast” by 25 basis points over a five year period which, of course, increases the amount of unfunded pension liability payments before these contributions level off. The City also considered improvements in mortality in the determination of the pension benefits which will result in increases to the liability beginning in FY26. As part of GASB 101, the System added a new assumption for calculating the pension liability for members who convert sick leave into pension credited service. On average, over the past five years, members converted approximately two months of sick leave to increase their monthly pension benefit. A slight increase to the overall liability was factored in for the total liability for FY 25 for this added assumption.

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

Furthermore, the performance of the Convention Center continues to exceed expectations. The downtown area also continues to thrive and should continue to grow in the future with the construction of a large multi-use baseball stadium that is in close proximity to downtown. In fact, many new businesses are already being built near the stadium and property values in those areas are on the rise which will yield increased property tax revenue as these areas are developed. Many family-oriented programs are offered in the area known as Market Square and its adjoining Gay Street which bring visitors into the downtown area from the surrounding counties. The area normally bustles with many entertainment offerings and numerous restaurants.

FINANCIAL CONTACT

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Assets					
Cash and cash equivalents	\$ 21,461,972	\$ 14,347,191	\$ 35,809,163	\$ 192,353,919	\$ 228,163,082
Investments	511,432,981	108,006,247	619,439,228	174,557,732	793,996,960
Receivables (net of allowance for uncollectibles):					
Accounts	15,615,567	2,222,840	17,838,407	160,577,219	178,415,626
Taxes	197,126,098	-	197,126,098	-	197,126,098
Notes and leases	42,193,662	-	42,193,662	-	42,193,662
TVA conservation program	-	-	-	10,729	10,729
Other	-	-	-	259,933	259,933
Internal balances	(2,957,537)	2,957,537	-	-	-
Due from governmental agencies	385,497	-	385,497	-	385,497
Due from internal service fund	-	-	-	-	-
Due from component units	5,749,974	1,817,050	7,567,024	-	7,567,024
Current portion of lease receivable	-	-	-	1,989,627	1,989,627
Inventories	3,120,491	239,016	3,359,507	31,103,780	34,463,287
Prepaid items	-	263,246	263,246	10,358,064	10,621,310
Equity interest in joint venture	2,235,616	244,053	2,479,669	-	2,479,669
Deferred charges	-	-	-	596,670	596,670
Restricted assets:					
Temporarily restricted:					
Bond funds	-	-	-	77,301,897	77,301,897
Unused bond proceeds	-	-	-	139,893,773	139,893,773
Receivables	-	-	-	1,813,779	1,813,779
Other	-	-	-	1,849,737	1,849,737
Long-term lease receivable	-	-	-	16,236,384	16,236,384
Other assets	-	-	-	20,442,453	20,442,453
Capital assets:					
Land and site improvements	85,669,156	7,686,303	93,355,459	333,394,885	426,750,344
Buildings and improvements	158,858,365	234,473,244	393,331,609	239,377,146	632,708,755
Utility plant in service	-	-	-	3,713,198,561	3,713,198,561
Equipment, furniture and fixtures	167,821,430	13,400,270	181,221,700	110,489,501	291,711,201
Infrastructure and site improvements	585,892,993	31,844,905	617,737,898	557,914	618,295,812
Construction in progress	80,308,103	2,291,325	82,599,428	290,705,933	373,305,361
Right of use lease asset	3,020,698	-	3,020,698	4,672,493	7,693,191
Right of use subscription asset	13,586,532	-	13,586,532	9,114,411	22,700,943
Less accumulated amortization	(4,621,060)	-	(4,621,060)	(7,215,435)	(11,836,495)
Less accumulated depreciation	(490,332,448)	(167,768,552)	(658,101,000)	(1,649,124,580)	(2,307,225,580)
Total assets	1,396,568,090	252,024,675	1,648,592,765	3,874,516,525	5,523,109,290
Deferred outflows of resources					
Pensions	105,445,970	-	105,445,970	15,698,178	121,144,148
Other postemployment benefits	6,489,319	-	6,489,319	1,931,174	8,420,493
Unamortized bond refunding	-	-	-	11,828,240	11,828,240
Total deferred outflows of resources	111,935,289	-	111,935,289	29,457,592	141,392,881

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Combined Discretely Presented Component Units	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government		
Liabilities					
Accounts payable	16,249,805	3,275,658	19,525,463	133,739,639	153,265,102
Matured principal and interest on bonds	-	-	-	17,800,120	17,800,120
Accrued liabilities	6,493,604	30,624	6,524,228	34,114,965	40,639,193
Due to primary government	-	-	-	7,567,024	7,567,024
Due to other governmental agencies	21,653	-	21,653	-	21,653
Customer deposits, plus accrued interest	728,354	518,726	1,247,080	27,405,189	28,652,269
Accrued interest	986,109	133,326	1,119,435	567,235	1,686,670
Unearned revenue	-	1,678,726	1,678,726	3,232,336	4,911,062
Noncurrent liabilities due within one year:					
Lease liability	333,876	-	333,876	937,961	1,271,837
Subscription liability	1,228,434	-	1,228,434	1,206,487	2,434,921
Long-term debt due within one year	6,763,188	7,592,646	14,355,834	47,145,000	61,500,834
Other postemployment benefits liability	2,147,038	-	2,147,038	-	2,147,038
Other noncurrent liabilities due within one year	13,970,255	27,139	13,997,394	7,923,816	21,921,210
Noncurrent liabilities due in more than one year:					
Lease liability	1,501,662	-	1,501,662	899,442	2,401,104
Subscription liability	8,104,998	-	8,104,998	4,477,938	12,582,936
Long-term debt due in more than one year	90,123,020	53,284,686	143,407,706	1,314,104,096	1,457,511,802
Other noncurrent liabilities due in more than one year	21,008,150	-	21,008,150	125,601,644	146,609,794
Net pension liability	285,410,900	-	285,410,900	3,075,398	288,486,298
Other postemployment benefits liability	18,013,486	-	18,013,486	5,315,804	23,329,290
Total liabilities	473,084,532	66,541,531	539,626,063	1,735,114,094	2,274,740,157
Deferred inflows of resources					
Pensions	10,867,516	-	10,867,516	-	10,867,516
Lease inflow	-	-	-	16,829,601	16,829,601
Other postemployment benefits	2,112,895	-	2,112,895	4,153,751	6,266,646
Deferred revenue	30,695,953	-	30,695,953	2,590,127	33,286,080
Bond refunding gain	987,528	(198,801)	788,727	-	788,727
Unamortized bond refunding costs	-	-	-	1,429,427	1,429,427
Assessed and unlevied property taxes	168,830,146	-	168,830,146	-	168,830,146
Total deferred inflows of resources	213,494,038	(198,801)	213,295,237	25,002,906	238,298,143
Net position					
Net investment in capital assets	493,041,063	61,248,964	554,290,027	1,691,821,250	2,246,111,277
Restricted for:					
Debt service	-	31,298,897	31,298,897	35,561,350	66,860,247
Park maintenance:					
Nonexpendable	672,976	-	672,976	-	672,976
Expendable	488,867	-	488,867	-	488,867
Community development	2,645,455	-	2,645,455	-	2,645,455
Streets	5,323,770	-	5,323,770	-	5,323,770
Solid waste	6,040,515	-	6,040,515	-	6,040,515
Miscellaneous special revenue	4,411,705	-	4,411,705	-	4,411,705
Other	-	-	-	35,588,471	35,588,471
Unrestricted	309,300,458	93,134,084	402,434,542	380,886,046	783,320,588
Total net position	\$ 821,924,809	\$ 185,681,945	\$ 1,007,606,754	\$ 2,143,857,117	\$ 3,151,463,871

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

CITY OF KNOXVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General Government	\$ 43,324,576	\$ 912,463	\$ 1,245,237	\$ -
Public Safety	160,058,363	8,027,522	9,461,417	234,070
Physical Environment	83,073,747	3,449,605	-	1,461,557
Transportation	22,626,185	607,684	-	-
Economic Development	18,139,842	21,570	7,082,511	2,585,380
Parks & Recreation	18,099,662	810,341	-	-
Health & Sanitation	13,389,155	7,876	192,108	62,665
Interest on long-term debt	3,419,159	-	-	-
Total governmental activities	362,130,689	13,837,061	17,981,273	4,343,672
Business-type activities:				
Metro Parking	5,542,513	4,730,936	-	269,916
Public Assembly Facilities	12,305,730	6,287,839	-	1,774,101
Knoxville Convention Center	23,981,028	8,578,454	500,000	620,960
Municipal Golf Courses	2,167,787	1,854,470	-	35,873
Total business-type activities	43,997,058	21,451,699	500,000	2,700,850
Total primary government	\$ 406,127,747	\$ 35,288,760	\$ 18,481,273	\$ 7,044,522
Combined discretely presented component units	\$ 1,054,713,329	\$ 1,134,287,089	\$ 3,902,528	\$ 81,519,606

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
\$ (41,166,876)	\$ -	\$ (41,166,876)	\$ -	\$ (41,166,876)
(142,335,354)	-	(142,335,354)	-	(142,335,354)
(78,162,585)	-	(78,162,585)	-	(78,162,585)
(22,018,501)	-	(22,018,501)	-	(22,018,501)
(8,450,381)	-	(8,450,381)	-	(8,450,381)
(17,289,321)	-	(17,289,321)	-	(17,289,321)
(13,126,506)	-	(13,126,506)	-	(13,126,506)
(3,419,159)	-	(3,419,159)	-	(3,419,159)
(325,968,683)	-	(325,968,683)	-	(325,968,683)
-	(541,661)	(541,661)	-	(541,661)
-	(4,243,790)	(4,243,790)	-	(4,243,790)
-	(14,281,614)	(14,281,614)	-	(14,281,614)
-	(277,444)	(277,444)	-	(277,444)
-	(19,344,509)	(19,344,509)	-	(19,344,509)
(325,968,683)	(19,344,509)	(345,313,192)	-	(345,313,192)
-	-	-	164,995,894	164,995,894
191,050,195	-	191,050,195	-	191,050,195
103,844,767	7,172,612	111,017,379	-	111,017,379
-	2,835,904	2,835,904	-	2,835,904
520,804	9,113,944	9,634,748	-	9,634,748
2,155,259	-	2,155,259	-	2,155,259
16,106,435	-	16,106,435	-	16,106,435
12,670,019	-	12,670,019	-	12,670,019
1,063,040	-	1,063,040	-	1,063,040
8,785,213	19,499	8,804,712	1,442,817	10,247,529
26,331,166	4,701,520	31,032,686	21,778,041	52,810,727
1,532,961	-	1,532,961	-	1,532,961
(14,359,357)	14,359,357	-	-	-
349,700,502	38,202,836	387,903,338	23,220,858	411,124,196
23,731,819	18,858,327	42,590,146	188,216,752	230,806,898
798,192,990	166,823,618	965,016,608	1,955,640,365	2,920,656,973
\$ 821,924,809	\$ 185,681,945	\$ 1,007,606,754	\$ 2,143,857,117	\$ 3,151,463,871

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

				Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects			
Assets						
Cash and cash equivalents	\$ 7,486,927	\$ 100	\$ 2,129,015	\$ 2,404,625	\$ 2,906,346	\$ 14,927,013
Investments	108,911,002	58,590,391	126,084,436	1,817,636	40,829,953	336,233,418
Accounts receivable, net	995,233	174,525	3,218,909	200,790	10,256,182	14,845,639
Taxes receivable	184,475,660	12,650,438	-	-	-	197,126,098
Notes receivable	16,929,605	-	14,000,000	10,457,374	806,683	42,193,662
Due from other funds	6,925,000	-	797,958	-	2,755,735	10,478,693
Due from fiduciary funds	-	-	-	-	-	-
Due from component unit	-	-	-	-	651,496	651,496
Due from governmental agencies	346,235	-	-	-	39,262	385,497
Inventories	548,418	-	11,000	-	515,408	1,074,826
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 326,618,080</u>	<u>\$ 71,415,454</u>	<u>\$ 146,241,318</u>	<u>\$ 14,880,425</u>	<u>\$ 58,761,065</u>	<u>\$ 617,916,342</u>
Liabilities						
Accounts payable	\$ 3,656,198	\$ -	\$ 6,596,908	\$ 18,723	\$ 3,547,636	\$ 13,819,465
Accrued liabilities	3,670,296	-	2,145,727	2,669	214,189	6,032,881
Customer deposits	-	-	-	-	728,354	728,354
Due to other funds	758,193	7,125,000	486,733	184,533	8,530,132	17,084,591
Due to other governmental agencies	-	2,586	-	-	19,067	21,653
Total liabilities	<u>8,084,687</u>	<u>7,127,586</u>	<u>9,229,368</u>	<u>205,925</u>	<u>13,039,378</u>	<u>37,686,944</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	160,106,697	12,569,892	-	-	-	172,676,589
Unavailable revenue - other	17,974,328	-	1,062,534	12,600,420	938,671	32,575,953
Total deferred inflows of resources	<u>178,081,025</u>	<u>12,569,892</u>	<u>1,062,534</u>	<u>12,600,420</u>	<u>938,671</u>	<u>205,252,542</u>
Fund Balances						
Non-spendable	548,418	-	11,000	-	1,188,384	1,747,802
Restricted	571,375	-	-	2,074,080	16,264,857	18,910,312
Committed	70,127,833	51,717,976	135,938,416	-	21,896,088	279,680,313
Assigned	33,918,987	-	-	-	5,433,687	39,352,674
Unassigned	35,285,755	-	-	-	-	35,285,755
Total fund balances	<u>140,452,368</u>	<u>51,717,976</u>	<u>135,949,416</u>	<u>2,074,080</u>	<u>44,783,016</u>	<u>374,976,856</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 326,618,080</u>	<u>\$ 71,415,454</u>	<u>\$ 146,241,318</u>	<u>\$ 14,880,425</u>	<u>\$ 58,761,065</u>	<u>\$ 617,916,342</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, 2025**

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

Fund balance - governmental funds	\$374,976,856
Capital assets, right-of-use leased assets, and right-of-use subscription assets used in governmental activities are not financial resources and therefore are not reported in the balance sheets of the governmental funds.	542,063,846
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.	5,726,443
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.	225,198,262
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.	(986,109)
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Net pension liability	(279,052,597)
Other postemployment benefits obligation	(20,160,524)
Deferred outflows of resources related to pensions	103,096,875
Deferred outflows of resources related to other postemployment benefits	6,489,319
Deferred inflows of resources related to pensions	(10,625,413)
Deferred inflows of resources related to other postemployment benefits	(2,112,895)
Long-term liabilities, including bonds payable, leases and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation debt	(82,040,000)
Lease liability	(1,835,538)
Subscription liability	(9,333,432)
Discounts and premiums (net)	(14,846,208)
Deferred inflows of resources related to refunding gain	(987,528)
Compensated absences	<u>(13,646,548)</u>
Net position - governmental activities	<u>\$ 821,924,809</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, 2025

	General Fund	Debt Service	Capital Projects	Special Revenue Fund Miscellaneous Community Development Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, assessments, interest & penalties	\$ 277,802,955	\$ 11,986,620	\$ -	\$ -	\$ 6,760,991	\$ 296,550,566
Licenses, permits & inspection charges	362,225	-	-	-	5,701,745	6,063,970
Intergovernmental	32,181,424	-	2,589,576	4,136,558	11,154,950	50,062,508
Charge for services	2,075,314	-	-	587,143	4,227,627	6,890,084
Fines & forfeitures	729,058	-	-	-	1,611,876	2,340,934
Other	10,936,730	3,311,514	8,190,922	117,581	2,759,009	25,315,756
Total revenues	<u>324,087,706</u>	<u>15,298,134</u>	<u>10,780,498</u>	<u>4,841,282</u>	<u>32,216,198</u>	<u>387,223,818</u>
Expenditures:						
Current:						
Administration	11,823,371	-	-	-	2,848,809	14,672,180
Finance	4,391,511	-	-	-	374,206	4,765,717
Information Systems	5,656,559	-	-	-	-	5,656,559
Community Development	5,063,972	-	-	4,562,624	1,859,925	11,486,521
Waterfront	484,386	-	-	-	-	484,386
Parks & Recreation	10,646,582	-	-	-	911,356	11,557,938
Mass Transit	22,626,185	-	-	-	-	22,626,185
Engineering	8,948,461	-	-	-	12,084,722	21,033,183
Public Services	32,148,286	-	-	-	17,618,182	49,766,468
Law	2,927,374	-	-	-	1,374,536	4,301,910
Police	88,015,742	-	-	-	3,952,155	91,967,897
Emergency Management	747,342	-	-	-	30,026	777,368
Fire	55,190,476	-	-	-	276,444	55,466,920
Codes enforcement	(8)	-	-	-	-	(8)
Legislative	1,175,668	-	-	-	6,483	1,182,151
Civil Service	2,157,157	-	-	-	-	2,157,157
City Elections	-	-	-	-	-	-
Metropolitan Planning Commission	1,489,900	-	-	-	-	1,489,900
Knoxville Zoological Park	1,678,811	-	-	-	-	1,678,811
Community Agency Grants	1,562,750	-	-	-	-	1,562,750
Community Action Committee	1,456,240	-	-	-	-	1,456,240
Tax Increment Payments	3,463,896	-	-	-	-	3,463,896
Other general government	23,346,650	-	-	-	-	23,346,650
Capital & grant projects	-	-	58,468,509	-	-	58,468,509
Debt service, leases and SBITA:						
Principal retirement	1,152,611	6,960,000	-	-	-	8,112,611
Interest payments	92,897	3,370,450	-	-	233,237	3,696,584
Total expenditures	<u>286,246,819</u>	<u>10,330,450</u>	<u>58,468,509</u>	<u>4,562,624</u>	<u>41,570,081</u>	<u>401,178,483</u>
Excess (deficiency) of revenues over (under) expenditures	37,840,887	4,967,684	(47,688,011)	278,658	(9,353,883)	(13,954,665)
Other financing sources (uses)						
SBITA proceeds	11,102,471	-	-	-	-	11,102,471
Retirement of debt	-	-	-	-	(1,769,040)	(1,769,040)
Transfers in	65,057	1,477,050	40,825,950	-	13,735,186	56,103,243
Transfers out	(70,598,603)	(6,279,380)	(564,539)	-	(4,295,566)	(81,738,088)
Total other financing sources (uses)	<u>(59,431,075)</u>	<u>(4,802,330)</u>	<u>40,261,411</u>	<u>-</u>	<u>7,670,580</u>	<u>(16,301,414)</u>
Net change in fund balances	(21,590,188)	165,354	(7,426,600)	278,658	(1,683,303)	(30,256,079)
Fund balances - beginning	162,042,556	51,552,622	143,376,016	1,795,422	46,466,319	405,232,935
Fund balances - ending	\$ 140,452,368	\$ 51,717,976	\$ 135,949,416	\$ 2,074,080	\$ 44,783,016	\$ 374,976,856

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, 2025

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

Net change in fund balances - total governmental funds	\$ (30,256,079)
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 (\$65,995,043) exceeds depreciation expenses (\$24,210,552).	41,784,491
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	103,210
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,867,427)
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.	167,700
Pension expense not reported in the funds	(11,021,970)
Other postemployment benefit expense not reported in the funds	(642,548)
The internal service fund is used by management to charge the costs of fleet maintenance.	13,451,391
The internal service fund is used by management to charge the costs of risk management.	4,757,187
The internal service fund is used by management to charge the costs of employee health insurance.	(626,646)
The internal service fund is used by management to charge the costs of equipment replacement.	7,455,706
The internal service fund is used by management to charge the costs of City buildings.	<u>426,804</u>
Change in net position - governmental activities	<u>\$ 23,731,819</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, 2025

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budgetary Basis Variance With Final Budget
Revenues						
Property taxes -						
Current	\$ 150,164,270	\$ 150,164,270	\$ 148,252,254	\$ -	\$ 148,252,254	\$ (1,912,016)
Prior years	6,723,310	6,723,310	5,959,598	-	5,959,598	(763,712)
Business taxes	10,876,600	10,876,600	12,666,344	-	12,666,344	1,789,744
Local shared sales tax	68,520,000	68,520,000	68,897,046	-	68,897,046	377,046
Alcoholic beverage taxes	16,800,000	16,800,000	16,106,435	-	16,106,435	(693,565)
Payments in lieu of taxes	28,836,000	28,836,000	24,858,238	-	24,858,238	(3,977,762)
Franchise fees	1,400,000	1,400,000	1,063,040	-	1,063,040	(336,960)
Intergovernmental -						
Federal	850,000	850,000	695,418	-	695,418	(154,582)
State -						
Sales tax	24,450,000	24,450,000	24,503,003	-	24,503,003	53,003
Income tax	-	-	2,431	-	2,431	2,431
Other	5,765,000	5,765,000	6,215,535	-	6,215,535	450,535
Local	702,110	702,110	765,037	-	765,037	62,927
Licenses and permits	330,370	330,370	362,225	-	362,225	31,855
Fines & forfeits	684,000	684,000	729,058	-	729,058	45,058
Charges for services	1,730,030	1,730,030	2,075,314	-	2,075,314	345,284
Other -						
Interest	5,289,250	5,289,250	7,576,138	-	7,576,138	2,286,888
Rents & concessions	275,500	275,500	323,225	-	323,225	47,725
Miscellaneous	730,750	4,318,828	3,037,367	-	3,037,367	(1,281,461)
Total revenues	<u>324,127,190</u>	<u>327,715,268</u>	<u>324,087,706</u>	<u>-</u>	<u>324,087,706</u>	<u>(3,627,562)</u>
Expenditures						
Current -						
Administration	13,244,000	12,475,665	11,823,371	1,353,443	13,176,814	(701,149)
Finance	5,543,830	4,517,063	4,391,511	37,772	4,429,283	87,780
Information systems	6,618,650	6,170,702	5,656,559	423,177	6,079,736	90,966
Community development	5,785,240	7,135,324	5,063,972	(2,890)	5,061,082	2,074,242
Waterfront	484,390	484,390	484,386	-	484,386	4
Parks & recreation	10,674,780	10,502,131	10,646,582	167,742	10,814,324	(312,193)
Mass transit	26,824,480	22,626,480	22,626,185	-	22,626,185	295
Public services	34,129,640	32,368,070	32,148,286	(13,877)	32,134,409	233,661
Engineering	9,258,800	9,564,810	8,948,461	448,963	9,397,424	167,386
Law	2,948,680	3,075,278	2,927,374	87,942	3,015,316	59,962
Police	79,918,640	88,319,211	88,015,742	402,618	88,418,360	(99,149)
Emergency management	754,220	758,705	747,342	193	747,535	11,170
Fire	55,172,680	54,574,296	55,190,476	115,057	55,305,533	(731,237)
Codes enforcement	-	74	(8)	74	66	8
Legislative	1,320,470	1,349,849	1,175,668	81,072	1,256,740	93,109
Civil service	2,236,790	2,292,757	2,157,157	5,038	2,162,195	130,562
Nondepartmental -						
City elections	10,000	85,000	-	1,028	1,028	83,972
Metropolitan planning commission	1,489,900	1,489,900	1,489,900	-	1,489,900	-
Knoxville zoological gardens	1,678,820	1,678,820	1,678,811	-	1,678,811	9
Community agency grants	1,066,000	1,566,000	1,562,750	-	1,562,750	3,250
Community action committee	1,456,240	1,456,240	1,456,240	-	1,456,240	-
Tax increment payments	3,600,200	3,530,400	3,463,896	-	3,463,896	66,504
Other general government	23,346,650	23,346,650	23,346,650	-	23,346,650	-
Debt service						
Principal	-	1,152,620	1,152,611	-	1,152,611	9
Interest	-	92,910	92,897	-	92,897	13
Total expenditures	<u>287,563,100</u>	<u>290,613,345</u>	<u>286,246,819</u>	<u>3,107,352</u>	<u>289,354,171</u>	<u>1,259,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,564,090</u>	<u>37,101,923</u>	<u>37,840,887</u>	<u>(3,107,352)</u>	<u>34,733,535</u>	<u>(2,368,388)</u>
Other Financing Sources (Uses)						
SBITA proceeds	-	-	11,102,471	-	11,102,471	11,102,471
Transfers in	-	8,039,380	65,057	-	65,057	(7,974,323)
Transfers out	(51,987,790)	(70,686,633)	(70,598,603)	-	(70,598,603)	88,030
Appropriated fund balance	15,423,700	25,545,330	-	-	-	(25,545,330)
Total other financing sources (uses)	<u>(36,564,090)</u>	<u>(37,101,923)</u>	<u>(59,431,075)</u>	<u>-</u>	<u>(59,431,075)</u>	<u>(22,329,152)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(21,590,188)</u>	<u>(3,107,352)</u>	<u>(24,697,540)</u>	<u>\$ (24,697,540)</u>
Fund balance - beginning			<u>162,042,556</u>	<u>3,284,821</u>	<u>165,327,377</u>	
Fund balance - ending			<u>\$ 140,452,368</u>	<u>\$ 177,469</u>	<u>\$ 140,629,837</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, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 2,237,560	\$ 2,237,560	\$ 4,136,558	\$ 1,898,998
Charges for services	500,000	500,000	587,143	87,143
Other	-	138,155	117,581	(20,574)
Total revenues	<u>2,737,560</u>	<u>2,875,715</u>	<u>4,841,282</u>	<u>1,965,567</u>
Expenditures				
Current:				
Community Development	<u>2,737,560</u>	<u>4,575,715</u>	<u>4,562,624</u>	<u>13,091</u>
Total expenditures	<u>2,737,560</u>	<u>4,575,715</u>	<u>4,562,624</u>	<u>13,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,700,000)</u>	<u>278,658</u>	<u>1,978,658</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>1,700,000</u>	<u>-</u>	<u>(1,700,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>278,658</u>	<u>\$ 278,658</u>
Fund balances - beginning			<u>1,795,422</u>	
Fund balances - ending			<u>\$ 2,074,080</u>	

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Assets				
Current assets:				
Cash & temporary investments	\$ 8,486,184	\$ 5,861,007	\$ 14,347,191	\$ 6,534,959
Investments	88,259,357	19,746,890	108,006,247	175,199,563
Accounts receivable	1,702,250	520,590	2,222,840	769,928
Due from other funds	200,000	9,799,702	9,999,702	5,226,954
Due from component unit	-	1,817,050	1,817,050	5,098,478
Due from fiduciary fund	-	-	-	-
Inventories	139,386	99,630	239,016	2,045,665
Prepaid items	99,768	163,478	263,246	-
Total current assets	<u>98,886,945</u>	<u>38,008,347</u>	<u>136,895,292</u>	<u>194,875,547</u>
Noncurrent assets:				
Land and site improvements	3,302,020	4,384,283	7,686,303	-
Buildings and improvements	161,457,142	73,016,102	234,473,244	257,391
Equipment, furniture and fixtures	6,405,830	6,994,440	13,400,270	143,895,795
Infrastructure and site improvements	30,605,945	1,238,960	31,844,905	-
Construction in progress	620,960	1,670,365	2,291,325	1,682,794
Less: accumulated depreciation	<u>(113,006,132)</u>	<u>(54,762,420)</u>	<u>(167,768,552)</u>	<u>(87,696,057)</u>
Total capital assets (net of accumulated depreciation):	89,385,765	32,541,730	121,927,495	58,139,923
Equity interest in joint venture	244,053	-	244,053	2,235,616
Total noncurrent assets	<u>89,629,818</u>	<u>32,541,730</u>	<u>122,171,548</u>	<u>60,375,539</u>
Total assets	<u>188,516,763</u>	<u>70,550,077</u>	<u>259,066,840</u>	<u>255,251,086</u>
Deferred outflows of resources				
Pensions	-	-	-	2,349,095
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,349,095</u>
Liabilities				
Current liabilities:				
Accounts payable	1,568,650	1,707,008	3,275,658	2,430,340
Accrued liabilities	133,326	16,011	149,337	460,723
Customer deposits	518,726	-	518,726	-
Unearned revenue	18,078	1,660,648	1,678,726	-
Due to other funds	6,356,004	686,161	7,042,165	1,578,593
Compensated absences	-	41,752	41,752	-
Long-term debt due within one year	7,592,646	-	7,592,646	-
Estimated claims liability	-	-	-	5,100,000
Total current liabilities	<u>16,187,430</u>	<u>4,111,580</u>	<u>20,299,010</u>	<u>9,569,656</u>
Noncurrent liabilities:				
Long-term debt due in more than one year	53,284,686	-	53,284,686	-
Estimated claims liability	-	-	-	16,231,857
Net pension liability	-	-	-	6,358,303
Total noncurrent liabilities	<u>53,284,686</u>	<u>-</u>	<u>53,284,686</u>	<u>22,590,160</u>
Total liabilities	<u>69,472,116</u>	<u>4,111,580</u>	<u>73,583,696</u>	<u>32,159,816</u>
Deferred inflows of resources				
Pensions	-	-	-	242,103
Bond refunding gain	(198,801)	-	(198,801)	-
Total deferred inflows of resources	<u>(198,801)</u>	<u>-</u>	<u>(198,801)</u>	<u>242,103</u>
NET POSITION				
Net investment in capital assets	28,707,234	32,541,730	61,248,964	58,139,923
Restricted for:				
Debt service	31,298,897	-	31,298,897	-
Unrestricted	<u>59,237,317</u>	<u>33,896,767</u>	<u>93,134,084</u>	<u>167,058,339</u>
Total net position	<u>\$ 119,243,448</u>	<u>\$ 66,438,497</u>	<u>\$ 185,681,945</u>	<u>\$ 225,198,262</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, 2025

	Enterprise Funds			Internal
	Knoxville Convention Center	Other Nonmajor Activities	Total	Service Funds
Operating revenues				
Charges for services	\$ 8,578,454	\$ 12,873,245	\$ 21,451,699	\$ 65,828,454
Total operating revenues	<u>8,578,454</u>	<u>12,873,245</u>	<u>21,451,699</u>	<u>65,828,454</u>
Operating expenses				
Personal services	-	402,169	402,169	6,414,798
Materials & supplies	-	141,101	141,101	4,905,236
Depreciation & amortization	4,733,704	2,540,571	7,274,275	11,649,087
Other operating expenses	<u>16,587,966</u>	<u>16,932,189</u>	<u>33,520,155</u>	<u>41,509,256</u>
Total operating expenses	<u>21,321,670</u>	<u>20,016,030</u>	<u>41,337,700</u>	<u>64,478,377</u>
Operating income (loss)	<u>(12,743,216)</u>	<u>(7,142,785)</u>	<u>(19,886,001)</u>	<u>1,350,077</u>
Nonoperating revenues (expense)				
Interest income	3,819,546	881,974	4,701,520	7,786,365
Intergovernmental revenue	20,243,420	-	20,243,420	-
Other revenues (expenses)	19,499	-	19,499	3,571,090
Interest expense	<u>(2,659,358)</u>	<u>-</u>	<u>(2,659,358)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>21,423,107</u>	<u>881,974</u>	<u>22,305,081</u>	<u>11,357,455</u>
Income (loss) before transfers and capital contributions	8,679,891	(6,260,811)	2,419,080	12,707,532
Transfers in	6,257,980	8,105,590	14,363,570	11,282,033
Transfers out	-	(4,213)	(4,213)	(6,545)
Capital contributions	<u>-</u>	<u>2,079,890</u>	<u>2,079,890</u>	<u>1,481,422</u>
Change in net position	14,937,871	3,920,456	18,858,327	25,464,442
Net position, beginning of year	<u>104,305,577</u>	<u>62,518,041</u>	<u>166,823,618</u>	<u>199,733,820</u>
Net position, end of year	<u>\$ 119,243,448</u>	<u>\$ 66,438,497</u>	<u>\$ 185,681,945</u>	<u>\$ 225,198,262</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, 2025

	Enterprise Funds			Internal Service Funds
	Knoxville Convention Center	Other Nonmajor Activities	Total	
Operating activities				
Cash received from customers and users	\$ 10,410,517	\$ 14,373,740	\$ 24,784,257	\$ -
Receipts from interfund services provided	-	-	-	65,977,054
Cash paid to suppliers	(17,250,678)	(17,675,118)	(34,925,796)	(13,726,472)
Cash paid to employees	-	(385,154)	(385,154)	(6,027,577)
Cash paid for interfund services used	-	-	-	(7,158,508)
Payments of claims and insurance	-	-	-	(26,435,792)
Net cash (used in) provided by operating activities	<u>(6,840,161)</u>	<u>(3,686,532)</u>	<u>(10,526,693)</u>	<u>12,628,705</u>
Noncapital financing activities				
Transfers from other funds	11,927,617	9,873,631	21,801,248	2,027,095
Transfers to other funds	-	-	-	(6,535)
Tax and intergovernmental revenues	<u>20,262,919</u>	<u>1,774,101</u>	<u>22,037,020</u>	<u>3,556,681</u>
Net cash provided by noncapital financing activities	<u>32,190,536</u>	<u>11,647,732</u>	<u>43,838,268</u>	<u>5,577,241</u>
Capital and related financing activities				
Principal paid	(4,590,000)	-	(4,590,000)	-
Interest paid	(2,976,004)	-	(2,976,004)	-
Acquisition and construction of capital assets	(620,959)	(2,079,892)	(2,700,851)	(18,874,994)
Capital contributions	-	305,790	305,790	1,481,422
Net cash used in capital and related financing activities	<u>(8,186,963)</u>	<u>(1,774,102)</u>	<u>(9,961,065)</u>	<u>(17,393,572)</u>
Investing activities				
Purchases of investments	(16,451,090)	(4,355,732)	(20,806,822)	(8,526,824)
Investment earnings	3,819,546	881,974	4,701,520	7,786,365
Net change in equity investment in joint venture	<u>6,754</u>	<u>-</u>	<u>6,754</u>	<u>(562,973)</u>
Net cash used in investing activities	<u>(12,624,790)</u>	<u>(3,473,758)</u>	<u>(16,098,548)</u>	<u>(1,303,432)</u>
Net increase (decrease) in cash and cash equivalents	<u>4,538,622</u>	<u>2,713,340</u>	<u>7,251,962</u>	<u>(491,058)</u>
Cash and cash equivalents				
Beginning of year	<u>3,947,562</u>	<u>3,147,667</u>	<u>7,095,229</u>	<u>7,026,017</u>
End of year	<u>\$ 8,486,184</u>	<u>\$ 5,861,007</u>	<u>\$ 14,347,191</u>	<u>\$ 6,534,959</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, 2025

	Enterprise Funds			Internal
	Knoxville Convention Center	Other Nonmajor Activities	Total	Service Funds
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities				
Operating (loss) income	\$ (12,743,216)	\$ (7,142,785)	\$ (19,886,001)	\$ 1,350,077
Adjustments to reconcile operating loss (income) to net cash provided by (used in) operating activities:				
Depreciation	4,733,704	2,540,571	7,274,275	11,649,087
Pension expense	-	-	-	251,140
Change in assets and liabilities				
(Increase) decrease in receivables	1,820,181	88,875	1,909,056	148,600
(Increase) decrease in prepayments	27,737	(42,638)	(14,901)	-
(Increase) decrease in inventories	(17,170)	10,629	(6,541)	(128,642)
Increase (decrease) in accounts payable	(806,605)	(95,145)	(901,750)	(292,679)
Increase (decrease) in accrued expenses	133,326	(517,512)	(384,186)	168,233
Increase (decrease) in deferred revenue	(51,922)	1,471,473	1,419,551	-
Increase (decrease) in customer deposits	63,804	-	63,804	-
Increase (decrease) in estimated liability for litigation and claims	-	-	-	(517,111)
Total adjustments	<u>5,903,055</u>	<u>3,456,253</u>	<u>9,359,308</u>	<u>11,278,628</u>
Net cash (used in) provided by operating activities	<u>\$ (6,840,161)</u>	<u>\$ (3,686,532)</u>	<u>\$ (10,526,693)</u>	<u>\$ 12,628,705</u>

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

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2025

	City Employees' Pension Trust Fund
Assets	
Cash	\$ 1,436
Cash equivalents	6,400,782
United States government securities	90,385,186
State & municipal government securities	3,032,794
International securities	188,503,155
Domestic corporate bond & debentures	47,809,092
Real assets	109,500,080
Domestic equity securities	312,586,160
Pending sales proceeds	792,990
Other receivables	-
Accrued interest & dividends	1,713,589
Equipment, furniture & fixtures	27,876
Accumulated depreciation	(20,613)
Total assets	<u>\$ 760,732,527</u>
Liabilities	
Accounts payable	516,659
Investment purchases pending	2,020,669
Due to other funds	-
Total liabilities	<u>\$ 2,537,328</u>
Net Position Restricted for:	
Pension benefits	<u>758,195,199</u>
Total net position	<u>\$ 758,195,199</u>

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

CITY OF KNOXVILLE, TENNESSEE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	City Employees' Pension Trust Fund
Additions	
Employee contributions	\$ 5,616,413
Employer contributions	<u>35,222,164</u>
Total contributions	<u>40,838,577</u>
Investment earnings:	
Interest and dividends	9,400,621
Net appreciation in the fair value of investments	64,027,186
Other income	<u>155,326</u>
Total investment earnings	73,583,133
Less investment expense	<u>(4,445,747)</u>
Net investment earnings	<u>69,137,386</u>
Total additions	<u>109,975,963</u>
Deductions	
Benefits paid	58,328,864
Refunds	926,648
Depreciation	2,302
Administration expenses	<u>834,738</u>
Total deductions	<u>60,092,552</u>
Change in net position	49,883,411
Total net position - beginning	<u>708,311,788</u>
Total net position - ending	<u>\$ 758,195,199</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, 2025

	Component Units			Total Component Units
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	
Assets				
Cash and cash equivalents	\$ 156,248,936	\$ 35,148,793	\$ 956,190	\$ 192,353,919
Investments	127,286,292	46,791,589	479,851	174,557,732
Receivables (net of allowance for uncollectibles):				
Accounts	114,849,607	21,943,914	23,783,698	160,577,219
TVA conservation program	10,729	-	-	10,729
Other	154,373	105,560	-	259,933
Current portion of lease receivable	795,306	1,194,321	-	1,989,627
Inventories	29,049,209	-	2,054,571	31,103,780
Due from fiduciary fund	-	-	-	-
Prepaid items	9,036,402	1,321,662	-	10,358,064
Master plans and other plans, net of accumulated amortization	-	596,670	-	596,670
Restricted assets:				
Temporarily restricted:				
Bond funds	43,055,545	34,246,352	-	77,301,897
Unused bond proceeds	-	139,893,773	-	139,893,773
Receivables	-	1,813,779	-	1,813,779
Other	1,849,737	-	-	1,849,737
Net pension asset	-	-	-	-
Net OPEB asset	-	-	-	-
Long-term lease receivable	7,758,811	8,477,573	-	16,236,384
Other assets	20,442,453	-	-	20,442,453
Capital assets:				
Land and site improvements	-	331,195,649	2,199,236	333,394,885
Buildings and improvements	-	204,271,812	35,105,334	239,377,146
Utility plant in service	3,713,198,561	-	-	3,713,198,561
Equipment, furniture and fixtures	-	50,441,826	60,047,675	110,489,501
Infrastructure and site improvements	-	-	557,914	557,914
Construction in progress	226,918,472	52,315,538	11,471,923	290,705,933
Intangible right of use asset	4,672,493	-	-	4,672,493
Intangible subscription asset	9,114,411	-	-	9,114,411
Less accumulated amortization	(7,215,435)	-	-	(7,215,435)
Less accumulated depreciation	(1,279,503,318)	(310,004,380)	(59,616,882)	(1,649,124,580)
Total assets	<u>3,177,722,584</u>	<u>619,754,431</u>	<u>77,039,510</u>	<u>3,874,516,525</u>
Deferred outflows of resources				
Pensions	15,698,178	-	-	15,698,178
OPEB	1,931,174	-	-	1,931,174
Unamortized bond refundings	11,828,240	-	-	11,828,240
Total deferred outflows of resources	<u>29,457,592</u>	<u>-</u>	<u>-</u>	<u>29,457,592</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, 2025

	Component Units			Total Component Units
	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	
Liabilities				
Current portion of lease liability	937,961	-	-	937,961
Current portion of accrued compensated absences	7,923,816	-	-	7,923,816
Current portion of subscription liability	1,206,487	-	-	1,206,487
Accounts payable	112,738,653	17,843,751	3,157,235	133,739,639
Unearned revenue	901,316	2,331,020	-	3,232,336
Matured principal & interest on bonds	17,800,120	-	-	17,800,120
Accrued liabilities	29,646,425	3,785,890	682,650	34,114,965
Due to primary government	-	-	7,567,024	7,567,024
Customer deposits, plus accrued interest	27,405,189	-	-	27,405,189
Accrued interest	-	567,235	-	567,235
Noncurrent liabilities:				
Long-term debt due within one year	46,585,000	560,000	-	47,145,000
Long-term debt due in more than one year	1,147,610,000	166,494,096	-	1,314,104,096
Lease liability	899,442	-	-	899,442
Subscription liability	4,477,938	-	-	4,477,938
Other liabilities	17,340,530	-	-	17,340,530
Unamortized premiums/discounts	108,261,114	-	-	108,261,114
Net pension liability	3,075,398	-	-	3,075,398
Net OPEB liability	5,315,804	-	-	5,315,804
Total liabilities	1,532,125,193	191,581,992	11,406,909	1,735,114,094
Deferred inflows of resources				
Pensions	-	-	-	-
Unamortized bond refunding costs	1,429,427	-	-	1,429,427
OPEB	4,153,751	-	-	4,153,751
Lease inflow	7,994,976	8,834,625	-	16,829,601
Deferred revenue	-	-	2,590,127	2,590,127
Total deferred inflows of resources	13,578,154	8,834,625	2,590,127	25,002,906
Net position				
Net investment in capital assets	1,364,989,474	277,066,576	49,765,200	1,691,821,250
Restricted for:				
Debt service	25,255,424	10,305,926	-	35,561,350
Other	1,526	35,586,945	-	35,588,471
Unrestricted	271,230,405	96,378,367	13,277,274	380,886,046
Total net position	\$ 1,661,476,829	\$ 419,337,814	\$ 63,042,474	\$ 2,143,857,117

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, 2025

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	\$ 945,227,799	\$ 1,059,871,482	\$ -	\$ 1,242,297	\$ 115,885,980	\$ -	\$ -	\$ 115,885,980
Metropolitan Knoxville Airport Authority	64,129,817	71,475,532	-	35,992,550	-	43,338,265	-	43,338,265
Knoxville Area Transit	45,355,713	2,940,075	3,902,528	44,284,759	-	-	5,771,649	5,771,649
Total component units	\$ 1,054,713,329	\$ 1,134,287,089	\$ 3,902,528	\$ 81,519,606	\$ 115,885,980	\$ 43,338,265	\$ 5,771,649	\$ 164,995,894
General revenues:								
Intergovernmental revenue, unrestricted					-	-	-	-
Other unrestricted revenue (expense)					1,088,675	626,230	(272,088)	1,442,817
Investment earnings					15,454,964	6,323,077	-	21,778,041
Transfers					-	-	-	-
Total general revenues and transfers					<u>16,543,639</u>	<u>6,949,307</u>	<u>(272,088)</u>	<u>23,220,858</u>
Change in net position					132,429,619	50,287,572	5,499,561	188,216,752
Net position - beginning					<u>1,529,047,210</u>	<u>369,050,242</u>	<u>57,542,913</u>	<u>1,955,640,365</u>
Net position - ending					<u>\$ 1,661,476,829</u>	<u>\$ 419,337,814</u>	<u>\$ 63,042,474</u>	<u>\$ 2,143,857,117</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, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

Joint Ventures

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

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

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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.

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, 2025**

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

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Knoxville Convention Center was \$2,659,358.

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

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred inflows of resources - In addition to liabilities, the balance sheets and statements of net position will sometimes report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resource (revenue) until that time. The City has four items that qualify for reporting in this category. The *unavailable revenue* reported in the balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. The *assessed and unlevied property taxes* reported in the statement of net position arises from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year but levied in the subsequent year, *deferred revenue* arises from amounts equal to loans receivable and other awards that are subject to grant time restrictions, and the deferred credit on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amounts for *pensions* and *other postretirement benefits* relate to certain differences between projected and actual actuarial results and certain differences between project and actual investment earnings, which are accounted for as deferred inflows of resources. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

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

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

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

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

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

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

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

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

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

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Economic Stabilization - The City has a fund balance policy established by the City Council that requires the general fund to maintain a minimum unrestricted fund balance of 20% of ensuing year's appropriated general fund expenditures. The fund has been established for the purposes of setting aside amounts for use in specific and non-routine situations, which include certain emergency and urgent situations, giving the Mayor power to resolve any issues at hand. Utilization of these funds must be reported to the City Council at the next Council meeting. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the Financial Stabilization Account balance to the established minimum level within four years, as established by Charter and the City's Administrative Rules. For the current fiscal year ending June 30, 2025, the City met the minimum general fund balance policy. See Note 12.

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

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

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

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

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Pronouncements

Recently Adopted New Accounting Pronouncements

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Adoption of this Statement did not have a significant impact on the City's financial statements and had no effect on beginning net position or fund balance.

In December 2023, the GASB issued GASB Statement No. 102 (Statement No. 102), *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Adoption of this Statement did not have a significant impact on the City's financial statements.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103 (Statement No. 103), *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued GASB Statement No. 104 (Statement No. 104), *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for fiscal years beginning after June 15, 2025.

In December 2025, the GASB issued GASB Statement No. 105 (Statement No. 105), *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. Statement No. 105 is effective for fiscal years beginning after June 15, 2026.

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

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

Reconciliations between the governmental fund balance sheet and the government-wide statement of net position and between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are shown on pages 28 and 30, respectively.

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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 2025.

General Fund	\$20,682,733
Special Revenue Funds	8,523,272
Debt Service Funds	185,220
Enterprise Funds	16,338,697
Internal Service Funds	(2,356,487)
Capital Project Funds	38,764,553

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.

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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	\$ 29,259,379	\$38,918,899	\$ 9,659,520	\$ 29,259,379	\$23,981,028	\$ 5,278,351
Metro Parking	6,772,224	6,405,234	(366,990)	6,772,224	5,542,513	1,229,711
Public Assembly Facilities	15,046,573	15,349,051	302,478	15,046,573	12,309,943	2,736,630
City Golf Courses	2,060,880	2,186,414	125,534	2,060,880	2,167,787	(106,907)
<i>Knoxville Area Transit (Component Unit)</i>	44,839,691	51,127,362	6,287,671	44,839,691	45,627,801	(788,110)
<i>Internal Service Funds</i>						
Fleet Maintenance	25,455,171	32,043,503	6,588,332	25,455,171	18,592,112	6,863,059
Risk Management	10,809,256	12,563,304	1,754,048	10,809,256	7,806,117	3,003,139
Employee Health Insurance	28,658,676	27,122,166	(1,536,510)	28,658,676	27,748,812	909,864
Equipment Replacement	8,743,770	11,108,494	2,364,724	8,743,770	3,652,788	5,090,982
City Buildings	7,095,700	7,111,897	16,197	7,095,700	6,685,093	410,607

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, 2025**

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, 2025, the average weighted maturity of the City's portfolio was 188 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, 2025, the City held securities in various municipal bonds of \$14.05 million or approximately 2.3% of the total portfolio. All U.S. Government Agency investments have an Aaa credit rating. The corporate equities investments have credit ratings ranging from Baa2 to Baa3 and are part of the permanent fund for Krutch Park.

As of June 30, 2025, the City had the following investments and maturities.

Investments:	Fair Value	Less Than 1 Year	1 - 2 Years	2 - 4 Years	After
Primary Government:					
U.S. Government Agencies:					
Federal Home Loan Bank (FHLB)	\$ 10,238,872	\$ 4,105,897	\$ 3,041,250	\$ 3,091,725	\$ -
U.S. Treasuries	8,786,420	6,010,180	2,016,100	760,140	-
Federal Farm Credit Bureau (FFCB)	3,033,390	-	3,033,390	-	-
Other Governmental Bonds	18,860,479	6,982,338	10,351,387	1,526,754	-
Certificates of Deposit	1,766,646	497,408	506,323	762,915	-
Corporate Equities	183,799	183,799	-	-	-
Tennessee Local Government					
Investment Pool	576,569,622	576,569,622	-	-	-
	<u>\$ 619,439,228</u>	<u>\$ 594,349,244</u>	<u>\$18,948,450</u>	<u>\$ 6,141,534</u>	<u>\$ -</u>

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

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

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Deposits:				
Bank balances	\$ 156,248,936	\$ 103,641,497	\$ 956,190	\$ 1,436
Carrying amounts:				
Deposits (net of outstanding checks) in financial institutions	\$ 156,248,936	\$ 103,641,497	\$ 956,190	\$ 1,436
Total deposits - carrying value	\$ 156,248,936	\$ 103,641,497	\$ 956,190	\$ 1,436

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund	Total Amount	Fair Value
Investments:						
Cash equivalents	\$ -	\$ -	\$ -	\$ 6,400,782	\$ 6,400,782	\$ 6,400,782
United States government securities	122,913,105	-	-	90,385,186	213,298,291	213,298,291
Domestic equity securities	-	-	-	312,586,160	312,586,160	312,586,160
Domestic corporate bonds	-	-	-	47,809,092	47,809,092	47,809,092
State and municipal government securities	-	-	-	3,032,794	3,032,794	3,032,794
Real assets	-	-	-	109,500,080	109,500,080	109,500,080
Alternative assets	-	-	-	-	-	-
International securities	-	-	-	188,503,155	188,503,155	188,503,155
Total classified investments	122,913,105	-	-	758,217,249	881,130,354	881,130,354
Investments not categorized:						
Investments in state treasurer's investment pool	48,235,608	186,685,362	479,851	-	235,400,821	235,400,821
Total investments	\$ 171,148,713	\$ 186,685,362	\$ 479,851	\$ 758,217,249	\$ 1,116,531,175	\$ 1,116,531,175
Total deposits and investments	\$ 327,397,649	\$ 290,326,859	\$ 1,436,041	\$ 758,218,685		

	Knoxville Utilities Board	Metropolitan Knoxville Airport Authority	Knoxville Area Transit	City Employees' Pension Trust Fund
Cash and cash equivalents	\$ 156,248,936	\$ 69,395,145	\$ 956,190	\$ 1,436
Investments	127,286,292	186,685,362	479,851	758,217,249
Unused bond proceeds	-	34,246,352	-	-
Bond funds	43,055,545	-	-	-
Student internet special fund	1,848,211	-	-	-
Other temporarily restricted assets	1,526	-	-	-
	328,440,510	290,326,859	1,436,041	758,218,685
Less accrued interest	(1,042,861)	-	-	-
Total deposits and investments	\$ 327,397,649	\$ 290,326,859	\$ 1,436,041	\$ 758,218,685

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

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

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 5 - FAIR VALUE MEASUREMENT

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

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

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

The City has the following recurring fair value measurements as of June 30, 2025:

		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, 2025		
<u>Primary Government:</u>				
Investments by Fair Value Level				
Debt Securities:				
U.S. Government Agencies	\$ 22,058,682	\$ 22,058,682	\$ -	\$ -
State and Municipal Bonds	18,860,479	4,813,895	14,046,584	-
Corporate Equities	183,799	183,799	-	-
Certificates of Deposit	1,766,646	1,766,646	-	-
	<u>\$ 42,869,606</u>	<u>\$ 28,823,022</u>	<u>\$ 14,046,584</u>	<u>\$ -</u>

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025			
Fiduciary Activities:				
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	\$ 45,447,373	\$ 45,447,373	\$ -	\$ -
U.S. Government Backed Securities	2,245,292	2,245,292	-	-
Commercial Mortgage-Backed Securities	5,883,041	-	5,883,041	-
Asset Backed Securities	6,827,616	-	6,827,616	-
Residential Mortgage-Backed Securities	19,310,827	-	19,310,827	-
Corporate Bonds	44,142,300	44,142,300	-	-
Municipal Bonds	2,699,558	2,699,558	-	-
TIPS	24,625,512	24,625,512	-	-
Total Debt Securities	151,181,519	119,160,035	32,021,484	-
Equity Securities:				
Consumer Discretionary	12,771,739	12,771,739	-	-
Consumer Staples	1,974,293	1,974,293	-	-
Energy	7,915,127	7,915,127	-	-
Financials	12,770,794	12,770,794	-	-
Healthcare	11,792,486	11,792,486	-	-
Industrials	13,729,785	13,729,785	-	-
Information Technology	24,188,737	24,188,737	-	-
Materials	3,000,612	3,000,612	-	-
REIT Financials	2,113,454	2,113,454	-	-
Telecommunications Services	11,826,377	11,826,377	-	-
Utilities	425,908	425,908	-	-
Mutual Funds:				
Infrastructure	4,622,989	4,622,989	-	-
Large Cap Growth	66,707,401	66,707,401	-	-
Total Equity Securities	\$ 173,839,702	\$ 173,839,702	\$ -	\$ -

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

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)
	June 30, 2025			
Private Equity:				
Debt	\$ 13,569,555	\$ -	\$ -	\$ 13,569,555
Diversified	34,290,834	-	-	34,290,834
Energy	1,755,602	-	-	1,755,602
International	5,249,822	-	-	5,249,822
Secondary Markets	15,133,119	-	-	15,133,119
Venture Capital	6,957,403	-	-	6,957,403
Total Private Equity	<u>\$ 76,956,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,956,335</u>
Total Investments by fair value level	<u>\$ 401,977,556</u>	<u>\$ 292,999,737</u>	<u>\$ 32,021,484</u>	<u>\$ 76,956,335</u>
Investments measured at the net asset value (NAV)				
Global Low Volatility	44,445,577			
Real Estate Funds	65,020,955			
Infrastructure	38,403,504			
International Equities	129,194,589			
Defensive Equity	38,939,750			
International - Emerging Market Debt	34,146,068			
Total investment measured at the NAV	<u>350,150,443</u>			
Total investments measured at fair value	752,127,999			
Cash held by money managers	6,575,160			
Total Investment Assets	<u>\$ 758,703,159</u>			(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, commercial and residential 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 explained further in the next section. Fair value is determined either quarterly with valuations conducted by general partners, management and/or 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, 2025**

NOTE 5 - FAIR VALUE MEASUREMENT - Continued

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

Redemption Periods and Unfunded Commitments as of June 30, 2025:

Redemption Periods and Unfunded Commitments as of June 30, 2025:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	\$ 38,403,504	\$ -	Quarterly	45 - 90 days
Real Estate Funds	65,020,955	-	Quarterly, Daily	45 days, 1 day
International Equities	129,194,589	-	Monthly	10 - 30 days
Defensive Equity	38,939,750	-	Monthly	5 days
International - Emerging Market Debt	34,146,068	-	Monthly	3 days
Global Low Volatility	44,445,577	-	Daily	1 day
Total investment measured at the NAV	<u>\$ 350,150,443</u>	<u>\$ -</u>		
Private Equity:				
Debt	\$ 13,569,555	\$ 4,225,000		
Diversified	34,290,834	10,393,120		
Energy	1,755,602	748,094		
International	5,249,822	501,585		
Secondary Markets	15,133,119	5,507,500		
Venture Capital	6,957,403	746,906		
Total Private Equity	<u>\$ 76,956,335</u>	<u>\$ 22,122,205</u>		

Infrastructure Funds – This investment type consists of two private core managers plus a publicly traded mutual fund. The two core investments consist of open-ended private infrastructure funds with one focused globally and one concentrated in North America in various industries. Even after the two private managers called their committed funds, the System maintained the remaining funds in the publicly traded mutual fund opportunistically. The goal of these investments is to provide a high degree of yield from rental/fee incomes and a diversification away from many aspects of the traditional economic cycle.

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

International equities – This type of investment consists of one manager that invest in non-U.S. publicly-traded companies. The manager has restrictions on countries and industry sectors it is 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, 2025**

NOTE 5 - FAIR VALUE MEASUREMENT – Continued

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

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

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

RATE OF RETURN - The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.23% and 9.37% for the fiscal years ended 2025 and 2024, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - RECEIVABLES

Receivables at June 30, 2025, including the applicable allowance for uncollectible accounts, consisted of the following:

	Intergovern- mental	Interest and Dividends	Grants	Customers	Other	Allowance for Doubtful Accounts	Total
General fund	\$ 972,052	\$ 84,561	\$ 165,830	\$ -	\$ -	\$ (227,210)	\$ 995,233
Debt service fund	-	174,525	-	-	-	-	174,525
Capital projects fund	15,000	46,634	3,157,275	-	-	-	3,218,909
Special revenue funds:							
Miscellaneous community development funds	-	-	200,790	-	-	-	200,790
Other governmental funds	1,166,241	-	9,069,558	-	20,383	-	10,256,182
Knoxville Convention Center	881,053	-	-	-	821,197	-	1,702,250
Other enterprise funds	-	-	50,055	284,535	186,000	-	520,590
Internal service funds	2,432	54,954	-	712,542	-	-	769,928
Total primary government	3,036,778	360,674	12,643,508	997,077	1,027,580	(227,210)	17,838,407
Component units:							
Knoxville Utilities Board	10,729	154,373	-	102,906,446	12,932,564	(989,403)	115,014,709
Metropolitan Knoxville Airport Authority	-	-	19,180,126	4,577,567	105,560	-	23,863,253
Knoxville Area Transit	-	-	-	23,783,698	-	-	23,783,698
Total reporting entity	<u>\$ 3,047,507</u>	<u>\$ 515,047</u>	<u>\$ 31,823,634</u>	<u>\$ 132,264,788</u>	<u>\$ 14,065,704</u>	<u>\$ (1,216,613)</u>	<u>\$ 180,500,067</u>
Fiduciary Activities:							
City Employees' Pension Trust Fund	\$ -	\$ 1,713,589	\$ -	\$ -	\$ -	\$ -	\$ 1,713,589
Total fiduciary activities	<u>\$ -</u>	<u>\$ 1,713,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,713,589</u>

NOTE 7 - NOTES AND LEASES RECEIVABLE

Notes and leases receivable consisted of the following:

Governmental Funds:

Notes Receivable

General Fund	\$ 16,929,605
Capital Projects Fund	14,000,000
Special Revenue Fund - Miscellaneous Community Development Funds	10,457,374
Other Governmental Funds - Community Development Block Grant Funds	<u>806,683</u>
Total Notes Receivable	<u>\$ 42,193,662</u>

The \$10,457,374 due to the Miscellaneous to Community Development Funds and the \$806,683 due to the Other Governmental Funds are notes due to the City that were funded by Federal Community Development grant programs. The combined amount of \$11,264,057 is included in deferred inflows of resources.

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Knoxville Utilities Board

KUB, as lessor, leases office space, land, and fiber optic cables under non-cancelable lease arrangements. Terms of the leases range from one to fourteen years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of \$991,065 in 2025 and \$981,984 in 2024. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$310,164 in 2025 and \$315,652 in 2024. Total lease receivables were \$8,554,117 (\$795,306 current) and \$9,392,296 (\$838,178 current) as of June 30, 2025, and 2024, respectively, and are included in other assets on the Statement of Net Position.

Metropolitan Knoxville Airport Authority

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

The Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, except for certain regulated leases and short-term leases. The Authority initially measures the lease receivable at the present value of the lease payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

During the year ended June 30, 2025, the Authority recognized the following related to its lessor agreements:

Lease revenue	\$ 1,430,420
Interest income related to its leases	437,085
Revenue from variable payments not previously included in the Measurement for the lease receivable:	2,271,811
Short-term lease revenue	7,423,331

Of the Airport Authority's lease receivables at June 30, 2025, the entire amount of \$9,671,894 relates to leases whose revenues are pledged to secure certain outstanding debt obligations of the Airport Authority. The leases do not contain options to terminate the lease. Abatement of rent can occur if leased premises are partially or wholly untenable due to fire or casualty, until such time as repairs are completed.

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 7 - NOTES AND LEASES RECEIVABLE – Continued

Future principal and interest payment requirements related to the Airport Authority's lease receivable at June 30, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 1,194,321	\$ 294,705	\$ 1,489,026
2027	1,194,360	257,095	1,451,455
2028	640,872	223,603	864,475
2029	334,905	210,772	545,677
2030	325,922	199,712	525,634
2031-2035	461,746	935,894	1,397,640
2036-2040	532,752	855,333	1,388,085
2041-2045	622,737	762,003	1,384,740
2046-2050	732,456	652,284	1,384,740
2051-2055	861,508	523,232	1,384,740
2056-2060	1,013,297	371,443	1,384,740
2061-2065	1,191,830	192,910	1,384,740
2066-2070	536,382	33,859	570,241
2071-2072	28,806	559	29,365
	<u>\$ 9,671,894</u>	<u>\$ 5,513,404</u>	<u>\$ 15,185,298</u>

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Primary Government				
<i>Governmental activities:</i>				
<i>Nondepreciable:</i>				
Land & site improvements	\$ 85,667,324	\$ 1,832	\$ -	\$ 85,669,156
Artwork	288,879	-	-	288,879
Construction in progress	45,072,884	80,308,103	(45,072,884)	80,308,103
Total nondepreciable capital assets	<u>131,029,087</u>	<u>80,309,935</u>	<u>(45,072,884)</u>	<u>166,266,138</u>
<i>Depreciable:</i>				
Buildings and building improvements	155,908,256	2,950,109	-	158,858,365
Equipment, furniture and fixtures	153,575,256	45,406,916	(31,449,621)	167,532,551
Infrastructure and site improvements	569,902,701	15,990,292	-	585,892,993
Total depreciable capital assets	<u>879,386,213</u>	<u>64,347,317</u>	<u>(31,449,621)</u>	<u>912,283,909</u>
<i>Accumulated depreciation:</i>				
Buildings and building improvements	(46,422,014)	(4,956,012)	-	(51,378,026)
Equipment, furniture and fixtures	(97,997,451)	(12,833,804)	6,275,902	(104,555,353)
Infrastructure and site improvements	(317,684,081)	(16,714,988)	-	(334,399,069)
Total accumulated depreciation	<u>(462,103,546)</u>	<u>(34,504,804)</u>	<u>6,275,902</u>	<u>(490,332,448)</u>
Total depreciable capital assets, net	<u>417,282,667</u>	<u>29,842,513</u>	<u>(25,173,719)</u>	<u>421,951,461</u>
Right of use lease assets				
Building	3,020,698	-	-	3,020,698
Accumulated amortization	(1,006,900)	(335,633)	-	(1,342,533)
Total right of use lease assets, net	<u>2,013,798</u>	<u>(335,633)</u>	<u>-</u>	<u>1,678,165</u>
Right of use subscription assets				
Subscription assets	2,484,061	11,102,471	-	13,586,532
Accumulated amortization	(1,568,880)	(1,709,647)	-	(3,278,527)
Total right of use subscription assets, net	<u>915,181</u>	<u>9,392,824</u>	<u>-</u>	<u>10,308,005</u>
Governmental activities capital assets, net	<u>\$ 551,240,733</u>	<u>\$ 119,209,639</u>	<u>\$ (70,246,603)</u>	<u>\$ 600,203,769</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 8 - CAPITAL ASSETS – Continued

Business-type activities:

Nondepreciable:

Land & site improvements	\$ 7,686,303	\$ -	\$ -	\$ 7,686,303
Artwork	764,875	-	-	764,875
Construction in progress	<u>1,182,514</u>	<u>2,291,325</u>	<u>(1,182,514)</u>	<u>2,291,325</u>
Total nondepreciable capital assets	<u>9,633,692</u>	<u>2,291,325</u>	<u>(1,182,514)</u>	<u>10,742,503</u>

Depreciable:

Buildings and building improvements	234,319,047	154,197	-	234,473,244
Equipment, furniture and fixtures	11,233,425	1,401,970	-	12,635,395
Infrastructure and site improvements	<u>31,809,032</u>	<u>35,873</u>	<u>-</u>	<u>31,844,905</u>
Total depreciable capital assets	<u>277,361,504</u>	<u>1,592,040</u>	<u>-</u>	<u>278,953,544</u>

Accumulated depreciation:

Buildings and building improvements	(130,204,005)	(5,383,196)	-	(135,587,201)
Equipment, furniture and fixtures	(8,915,375)	(626,021)	-	(9,541,396)
Infrastructure and site improvements	<u>(21,374,897)</u>	<u>(1,265,058)</u>	<u>-</u>	<u>(22,639,955)</u>
Total accumulated depreciation	<u>(160,494,277)</u>	<u>(7,274,275)</u>	<u>-</u>	<u>(167,768,552)</u>

Total depreciable capital assets, net	<u>116,867,227</u>	<u>(5,682,235)</u>	<u>-</u>	<u>111,184,992</u>
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Business-type activities capital assets, net	<u>\$ 126,500,919</u>	<u>\$ (3,390,910)</u>	<u>\$ (1,182,514)</u>	<u>\$ 121,927,495</u>
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Fiduciary activities:

Knoxville Employees' Pension Plan

<i>Depreciable: Equipment, furniture and fixtures</i>	\$ 23,300	\$ 5,555	\$ (979)	\$ 27,876
<i>Accumulated Depreciation</i>	<u>(19,290)</u>	<u>(2,302)</u>	<u>979</u>	<u>(20,613)</u>
Total Knoxville Employees' Pension Plan	<u>\$ 4,010</u>	<u>\$ 3,253</u>	<u>\$ -</u>	<u>\$ 7,263</u>

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

Governmental Activities

General	\$ 14,554,137
Public Safety	5,223,482
Physical Environment	13,233,123
Economic Development	115,391
Parks and Recreation	2,638,131
Health and Sanitation	<u>95,375</u>
	<u>\$ 35,859,639</u>

Business-type Activities

Knoxville Convention Center	\$ 4,733,704
Metro Parking	1,378,944
Public Assembly Facilities	1,098,425
Municipal Golf Courses	<u>63,202</u>
	<u>\$ 7,274,275</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 8 - CAPITAL ASSETS - Continued

Capital asset activity for component units for the year ended June 30, 2025 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>	\$ 184,369,091	\$ 255,073,250	\$ (212,523,869)	\$ 226,918,472
<i>Depreciable:</i>				
Pumping and treatment plant	447,530,512	9,329,749	(692,102)	456,168,159
Distribution & collection plant	2,769,177,448	182,131,753	(3,107,354)	2,948,201,847
General plant	305,316,783	20,630,222	(17,118,450)	308,828,555
Total depreciable assets	3,522,024,743	212,091,724	(20,917,906)	3,713,198,561
Accumulated depreciation	(1,194,478,688)	(107,880,557)	22,855,927	(1,279,503,318)
Total depreciable capital assets, net	2,327,546,055	104,211,167	1,938,021	2,433,695,243
Total net plant	2,511,915,146	359,284,417	(210,585,848)	2,660,613,715
Intangible right of use assets				
Office space	4,253,775	3,022	(3,022)	4,253,775
Equipment	88,040	880	(880)	88,040
Other	330,678	-	-	330,678
Total intangible right of use assets	4,672,493	3,902	(3,902)	4,672,493
Accumulated amortization	(2,198,060)	(856,842)	-	(3,054,902)
Total intangible right of use assets, net	2,474,433	(852,940)	(3,902)	1,617,591
Intangible subscription assets				
Intangible subscription assets	9,323,779	-	(209,368)	9,114,411
Accumulated amortization	(3,231,047)	(1,138,854)	209,368	(4,160,533)
Total intangible subscription assets, net	6,092,732	(1,138,854)	-	4,953,878
Total Knoxville Utilities Board	\$ 2,520,482,311	\$ 357,292,623	\$ (210,589,750)	\$ 2,667,185,184
Metropolitan Knoxville Airport Authority				
<i>Nondepreciable:</i>				
Land	\$ 42,067,006	\$ 525,000	\$ -	\$ 42,592,006
Construction in progress	24,296,741	67,881,506	(39,862,709)	52,315,538
Total nondepreciable capital assets	66,363,747	68,406,506	(39,862,709)	94,907,544
<i>Depreciable:</i>				
Land improvements	262,776,588	25,827,055	-	288,603,643
Buildings and building improvements	197,816,363	6,488,604	(33,155)	204,271,812
Equipment, furniture and fixtures	45,496,726	6,796,627	(1,851,527)	50,441,826
Total depreciable capital assets	506,089,677	39,112,286	(1,884,682)	543,317,281
<i>Accumulated depreciation:</i>				
Land improvements	(128,703,039)	(10,897,513)	-	(139,600,552)
Buildings and building improvements	(141,355,818)	(6,320,058)	33,155	(147,642,721)
Equipment, furniture and fixtures	(21,136,754)	(3,474,043)	1,849,690	(22,761,107)
Total accumulated depreciation	(291,195,611)	(20,691,614)	1,882,845	(310,004,380)
Total depreciable capital assets, net	214,894,066	18,420,672	(1,837)	233,312,901
Total Metropolitan Knoxville Airport Authority	\$ 281,257,813	\$ 86,827,178	\$ (39,864,546)	\$ 328,220,445

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 8 - CAPITAL ASSETS – Continued

Knoxville Area Transit

Nondepreciable:

Land	\$ 2,199,236	\$ -	\$ -	\$ 2,199,236
Artwork	49,000	-	-	49,000
Construction in progress	4,892,307	10,440,971	(3,861,355)	11,471,923
Total nondepreciable capital assets	<u>7,140,543</u>	<u>10,440,971</u>	<u>(3,861,355)</u>	<u>13,720,159</u>

Depreciable:

Buildings and building improvements	35,105,334	-	-	35,105,334
Infrastructure and site improvements	557,914	-	-	557,914
Equipment, vehicles, furniture and fixtures	56,546,261	3,687,502	(235,088)	59,998,675
Total depreciable capital assets	<u>92,209,509</u>	<u>3,687,502</u>	<u>(235,088)</u>	<u>95,661,923</u>

Accumulated depreciation:

Buildings and building improvements	(17,737,690)	(1,370,079)	-	(19,107,769)
Infrastructure and site improvements	(193,343)	(25,969)	-	(219,312)
Equipment, vehicles, furniture and fixtures	(37,632,252)	(2,892,637)	235,088	(40,289,801)
Total accumulated depreciation	<u>(55,563,285)</u>	<u>(4,288,685)</u>	<u>235,088</u>	<u>(59,616,882)</u>
Total depreciable capital assets, net	<u>36,646,224</u>	<u>(601,183)</u>	<u>-</u>	<u>36,045,041</u>
Total Knoxville Area Transit	<u>\$ 43,786,767</u>	<u>\$ 9,839,788</u>	<u>\$ (3,861,355)</u>	<u>\$ 49,765,200</u>

The Authority is contractually obligated to expend approximately \$172M more for various projects. Estimated costs to complete construction in progress for these projects total approximately \$184M as of June 30, 2025. The work will be funded through proceeds from Federal and State grants, Passenger Facility Charges, Customer Facility Charges, bond proceeds, and other Authority funds.

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025 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	\$ 6,925,000	\$ 758,193	\$ 6,166,807	\$ -	\$ -
Debt Service Fund	-	7,125,000	(7,125,000)	-	-
Special Revenue Fund:					
State Street Aid	-	-	-	-	-
Community Development Block Grant	-	726,927	(726,927)	-	-
City Inspections	-	3,227	(3,227)	-	-
City Court	-	684	(684)	-	-
Miscellaneous Grants	2,755,735	7,638,447	(4,882,712)	651,496	-
Miscellaneous Special Revenue	-	38,089	(38,089)	-	-
Storm Water	-	5,605	(5,605)	-	-
Solid Waste	-	117,153	(117,153)	-	-
Miscellaneous Community Development Funds	-	184,533	(184,533)	-	-
Capital Projects Fund	797,958	486,733	311,225	-	-
Internal Service Funds:					
Fleet Maintenance	5,220,628	-	5,220,628	-	-
Risk Management	-	166,208	(166,208)	-	-
Health Insurance	6,326	614,427	(608,101)	-	-
Equipment Replacement	-	797,958	(797,958)	5,098,478	-
City Buildings	-	-	-	-	-
Total governmental activities	<u>15,705,647</u>	<u>18,663,184</u>	<u>(2,957,537)</u>	<u>5,749,974</u>	<u>-</u>
Business-Type Activities					
Knoxville Convention Center	200,000	6,356,004	(6,156,004)	-	-
Public Assembly Facilities	9,799,702	203,841	9,595,861	1,817,050	-
Metro Parking	-	1,479	(1,479)	-	-
Municipal Golf Courses	-	480,841	(480,841)	-	-
Total business-type activities	<u>9,999,702</u>	<u>7,042,165</u>	<u>2,957,537</u>	<u>1,817,050</u>	<u>-</u>
Component Units:					
Knoxville Area Transit	-	-	-	-	7,567,024
	<u>\$ 25,705,349</u>	<u>\$ 25,705,349</u>	<u>\$ -</u>	<u>\$ 7,567,024</u>	<u>\$ 7,567,024</u>

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10 - LONG-TERM DEBT

Bonds and note payable at June 30, 2025, 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	\$ -	\$ 58,995,000	\$ 58,995,000
General Obligation Public Improvement and Refunding Bonds Series 2021 maturing through 2041 at varying rates of interest ranging from 3.0% to 5.0%	60,185,000	-	60,185,000
General Obligation Bonds Series 2018 maturing through 2028 at varying rates of interest ranging from 3.0% to 5.0%	4,950,000	-	4,950,000
General Obligation Bonds Series 2021B maturing through 2042 at varying rates of interest from 3.0% to 5.0%	<u>15,025,000</u>	<u>-</u>	<u>15,025,000</u>
Total General Obligation Bonds	80,160,000	58,995,000	139,155,000
HUD Section 108 Promissory Note maturing through 2036 bearing interest at LIBOR plus 20 basis points	<u>1,880,000</u>	<u>-</u>	<u>1,880,000</u>
Total Primary Government	<u>\$ 82,040,000</u>	<u>\$ 58,995,000</u>	<u>\$ 141,035,000</u>

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10 - LONG-TERM DEBT - Continued

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, 2025, these requirements had been satisfied.

	<u>Revenue Bonds</u>
Component Units:	
<i>Knoxville Utilities Board:</i>	
Electric Revenue Bonds Series EE to QQ, maturing through 2055 at varying rates of interest ranging from 2.0% to 5.0%	\$ 483,005,000
Water Revenue Bonds Series BB to OO maturing through 2054 at varying rates of interest ranging from 2.0% to 5.0%	208,410,000
Gas Revenue Bonds Series U to AA, maturing through 2048 at varying rates of interest ranging from 2.0% to 5.0%	64,815,000
Wastewater Revenue Bonds Series 2010C, 2015A, 2016, 2017A 2017B, 2018, 2019, 2020A, 2020B, 2021A, 2022A, 2022B, 2022C maturing through 2052 at varying rates of interest ranging from 4.0% to 6.1%	437,965,000 <u>\$ 1,194,195,000</u>
<i>Metropolitan Knoxville Airport Authority:</i>	
Airport Revenue Refunding Note Series 2019A, bears interest at a fixed rate of 2.54%. Remaining annual installments ranging from \$5,750,000 to \$6,000,000 through June 2028. Interest is paid semiannually.	\$ 11,900,000
Airport Revenue Bonds Series 2024A, 2024B and 2025 maturing through 2055 at varying rates of interest ranging from 3.95% - 5.315%.	147,845,000 <u>\$ 159,745,000</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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
2026	\$ 5,735,000	\$ 3,022,450	\$ 7,475,000	\$ 2,359,800
2027	6,020,000	2,744,200	7,775,000	2,060,800
2028	6,325,000	2,484,900	8,085,000	1,749,800
2029	4,830,000	2,211,350	8,405,000	1,426,400
2030	5,050,000	1,985,700	8,740,000	1,090,200
2031-2035	26,715,000	8,728,950	18,515,000	1,118,000
2036-2040	21,565,000	4,120,500	-	-
2038-2042	5,800,000	960,000	-	-
	<u>82,040,000</u>	<u>\$ 26,258,050</u>	<u>58,995,000</u>	<u>\$ 9,805,000</u>
Unamortized premium	14,846,208		1,882,332	
Total	<u>\$ 96,886,208</u>		<u>\$ 60,877,332</u>	

Component Units	Revenue Bonds and Local Gov't Public Improvement Bonds	
	Principal	Interest
2026	\$ 47,145,000	\$ 54,765,121
2027	56,745,000	52,715,671
2028	59,575,000	50,369,887
2029	52,750,000	47,990,518
2030	54,495,000	45,754,280
2031-2035	253,880,000	196,356,309
2036-2040	283,520,000	144,435,007
2041-2045	260,935,000	87,160,135
2046-2050	181,055,000	42,126,502
2051-2055	103,840,000	10,733,309
	<u>\$ 1,353,940,000</u>	<u>\$ 732,406,739</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10 - LONG-TERM DEBT - Continued

Current and Advance Refundings

Component units

Knoxville Utilities Board

During fiscal year 2025, KUB's Electric Division issued Series QQ 2024 bonds to fund electric system capital improvements.

During fiscal year 2024, KUB's Electric Division issued Series PP 2023 bonds to fund electric system capital improvements.

During fiscal year 2025, KUB's Water Division issued Series OO 2024 bonds to fund water system capital improvements.

During fiscal year 2024, KUB's Water Division issued Series NN 2023 bonds to fund water system capital improvements.

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

Metropolitan Knoxville Airport Authority

During 2000, the Authority's Board of Commissioners adopted a Master Resolution allowing the Authority to issue Airport Revenue Obligations. The Authority has pledged revenues, as defined in the Master Resolution, to repay the long-term debt issued under the Master Resolution for the term of the debt. Under this resolution, the Authority is required to establish certain funds, accounts and subaccounts to deposit funds to be held in trust by the Authority in order to meet the requirements of the resolution. These funds include:

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

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

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

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

A revised Master Resolution was adopted by the Authority's Board of Commissioners effective September 18, 2024.

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 10 - LONG-TERM DEBT – Continued

Outstanding debt during fiscal year 2025, consists of the following:

In June 2019, the Authority issued a \$39,570,000 Series 2019A Airport Revenue Refunding Note. The note bears interest at a fixed rate of 2.54% with maturity in June 2028. Interest is paid semiannually.

In October 2024, the Authority issued \$68,015,000 in Airport Revenue Bonds, Series 2024A, to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. The Series 2024A bonds were issued at a premium of \$7,552,295. Total cost of issuance and underwriter's discount was \$795,261. The interest rate ranges from 5.00% to 5.25% with maturity in 2054.

In October 2024, the Authority issued \$41,230,000 in Airport Revenue Bonds, Series 2024B (Federally Taxable), to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. Total cost of issuance, underwriter's discount, and insurance cost was \$567,778. The interest rate ranges from 4.425% to 5.315% with maturity in 2054.

In June 2025, the Authority issued \$38,600,000 in Subordinate Airport Revenue Bonds, Series 2025, to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. Total cost of issuance and underwriter's discount was \$595,981. The interest rate is variable (3.95% at June 30, 2025) with maturity in 2055. The interest rate is adjusted daily by the remarketing agent on the basis of prevailing financial market conditions. Annual interest payments included below in the scheduled debt service requirements are based on the interest rate at June 30, 2025..

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

Annual scheduled principal and interest payments of \$9,929,560 were 34% of the net revenue available for debt service of \$28,964,180.

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**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025:

	Balance June 30, 2024	Additions and Transfers	Reductions and Transfers	Balance June 30, 2025	Due Within One Year
Primary Government					
<i>Government Activities:</i>					
General obligation bonds	\$ 87,120,000	\$ -	\$ 6,960,000	\$ 80,160,000	\$ 5,565,000
Add unamortized amounts for issuance premiums	15,874,397	-	1,028,189	14,846,208	1,028,188
	102,994,397	-	7,988,189	95,006,208	6,593,188
HUD section 108 promissory note	2,050,000	-	170,000	1,880,000	170,000
Estimated claims liability	20,450,000	25,168,534	24,286,677	21,331,857	5,100,000
Compensated absences payable	11,971,753	11,850,785	10,175,990	13,646,548	8,870,255
Net pension liability	291,803,719	92,702,213	99,095,032	285,410,900	-
Net OPEB liability	16,461,625	5,173,755	1,474,856	20,160,524	2,147,038
Total governmental activities long-term liabilities	<u>\$ 445,731,494</u>	<u>\$ 134,895,287</u>	<u>\$ 143,190,744</u>	<u>\$ 437,436,037</u>	<u>\$ 22,880,481</u>
<i>Business-type Activities:</i>					
General obligation bonds	\$ 63,585,000	\$ -	\$ 4,590,000	\$ 58,995,000	\$ 7,475,000
Add unamortized amounts for issuance premiums	1,999,978	-	117,646	1,882,332	117,646
	65,584,978	-	4,707,646	60,877,332	7,592,646
Compensated absences payable	27,303	60,123	45,674	41,752	27,139
Total business-type activities long-term liabilities	<u>\$ 65,612,281</u>	<u>\$ 60,123</u>	<u>\$ 4,753,320</u>	<u>\$ 60,919,084</u>	<u>\$ 7,619,785</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 \$229,000 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 million TN Series A-4-A long-term debt issue used to construct the center. For the year ended June 30, 2025, principal and interest payments on all debt issues were approximately 10.6% of the pledged revenue. Principal and interest remaining to be paid on all debt issues is approximately \$194 million, based on market interest rates effective on June 30, 2025.

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, 2025**

NOTE 10 - LONG-TERM DEBT - Continued

	Balance June 30, 2024	Additions and Transfers	Reductions and Transfers	Refundings / Retirements	Balance June 30, 2025	Due Within One Year
Component Units						
<i>Knoxville Utilities Board:</i>						
Revenue bonds	\$ 1,130,115,000	\$ 110,995,000	\$ 46,915,000	\$ -	\$ 1,194,195,000	\$46,585,000
Other long-term liabilities:						
TVA conservation program	89,790	1,987	78,582	-	13,195	13,195
Compensated absences	3,669,422	19,808,165	11,650,996	-	11,826,591	7,923,816
Customer advances for construction	11,479,966	6,030,792	4,317,554	-	13,193,204	-
Other	108,402	296,381	173,427	-	231,356	35,000
Total Knoxville Utilities Board	<u>1,145,462,580</u>	<u>137,132,325</u>	<u>63,135,559</u>	<u>-</u>	<u>1,219,459,346</u>	<u>54,557,011</u>
<i>Metropolitan Knoxville Airport Authority:</i>						
Revenue/general obligation bonds	11,900,000	147,845,000	-	-	159,745,000	560,000
Total Metropolitan Knoxville Airport Authority	<u>11,900,000</u>	<u>147,845,000</u>	<u>-</u>	<u>-</u>	<u>159,745,000</u>	<u>560,000</u>
Total component units	<u>\$ 1,157,362,580</u>	<u>\$ 284,977,325</u>	<u>\$ 63,135,559</u>	<u>\$ -</u>	<u>\$ 1,379,204,346</u>	<u>\$ 55,117,011</u>

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

Primary Government

Leases

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

Lease expense and changes in lease liabilities are as follows:

Lease expense	Year Ending June 30, 2025				
Amortization expense by class of underlying asset					
Building	\$ 335,633				
Total amortization expense	335,633				
Interest on lease liabilities	49,553				
Total	<u>\$ 385,186</u>				

	Year Ending June 30, 2024	Additions	Subtractions	Year Ending June 30, 2025	Amounts due within one year
Lease Liabilities	<u>\$ 2,153,906</u>	<u>\$ -</u>	<u>\$ 318,368</u>	<u>\$ 1,835,538</u>	<u>\$ 333,876</u>

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2025, are summarized as follows:

	Lease Maturities	Interest Requirements	Total Payments
2026	\$ 333,876	\$ 42,080	\$ 375,956
2027	349,925	33,550	383,475
2028	366,532	24,613	391,145
2029	383,715	15,253	398,968
2030	401,490	5,458	406,948
	<u>\$ 1,835,538</u>	<u>\$ 120,954</u>	<u>\$ 1,956,492</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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

SBITA

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

Subscription expense	Year Ending June 30, 2025
Amortization expense by class of underlying asset	
Subscription asset	<u>\$ 1,709,646</u>
Total amortization expense	1,709,646
Interest on subscription liabilities	<u>240,499</u>
Total	<u>\$ 1,950,145</u>

	Year Ending June 30, 2024	Additions	Subtractions	Year Ending June 30, 2025	Amounts due within one year
SBITA Liabilities	<u>\$ 834,243</u>	<u>\$ 11,102,471</u>	<u>\$ 2,603,282</u>	<u>\$ 9,333,432</u>	<u>\$ 1,228,434</u>

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2025, are summarized as follows:

	Principal	Interest	Total Payments
2026	\$ 1,228,434	\$ 117,155	\$ 1,345,589
2027	1,875,033	414,667	2,289,700
2028	1,973,942	318,737	2,292,679
2029	2,074,933	217,746	2,292,679
2030	2,181,090	111,589	2,292,679
	<u>\$ 9,333,432</u>	<u>\$ 1,179,894</u>	<u>\$ 10,513,326</u>

Component Units

Knoxville Utilities Board

Leases

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

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	\$ 2,726,825	\$ -	\$ (889,422)	\$ 1,837,403
Less current portion	<u>\$ (889,422)</u>			<u>(937,961)</u>
Long-term portion	<u>\$ 1,837,403</u>			<u>\$ 899,442</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2025, are summarized as follows:

	<u>Lease Maturities</u>	<u>Interest Requirements</u>
2026	\$ 937,961	\$ 56,798
2027	741,907	21,048
2028	19,470	6,992
2029	5,657	6,145
2030	6,058	6,098
2031-2035	37,377	29,101
2036-2040	52,643	24,423
2041-2045	36,330	9,614
	<u>\$ 1,837,403</u>	<u>\$ 160,219</u>

SBITA

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

Changes in SBITA liabilities are summarized as follows:

	<u>Balance June 30, 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2025</u>
Total lease liabilities	\$ 2,726,825	\$ -	\$ (889,422)	\$ 1,837,403
Less current portion	\$ (889,422)			(937,961)
Long-term portion	<u>\$ 1,837,403</u>			<u>\$ 899,442</u>

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2025, are summarized as follows:

	<u>SBITA Maturities</u>	<u>Interest Requirements</u>
2026	\$ 1,206,487	\$ 199,923
2027	1,237,452	151,138
2028	1,296,951	101,934
2029	588,127	65,191
2030	611,418	41,901
2031-2032	743,990	18,215
	<u>\$ 5,684,425</u>	<u>\$ 578,302</u>

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 12 - FUND BALANCES

Detail fund balances are as follows:

	Special Revenue Funds					
	Miscellaneous Community Development Fund					
	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total	
Fund Balances:						
Nonspendable:						
Inventory	\$ 548,418	\$ -	\$ 11,000	\$ -	\$ 515,408	\$ 1,074,826
Prepays	-	-	-	-	-	-
Permanent Fund Principal	-	-	-	672,976	-	672,976
Restricted for:						
Street Improvements	-	-	-	5,323,770	-	5,323,770
Community Development	571,375	-	-	82,771	2,074,080	2,728,226
Law Enforcement	-	-	-	4,153,477	-	4,153,477
Parks & Recreation	-	-	-	175,457	-	175,457
Solid Waste Operations	-	-	-	6,040,515	-	6,040,515
Krutch Park	-	-	-	488,867	-	488,867
Committed to:						
Debt Service	-	51,717,976	-	-	-	51,717,976
Economic Stabilization	64,600,531	-	-	-	-	64,600,531
Contingency Fund	3,230,027	-	-	-	-	3,230,027
Recovery Grants	-	-	-	4,441,500	-	4,441,500
Other Capital Projects	-	-	135,938,416	-	-	135,938,416
Abandoned Vehicle Operations	-	-	-	1,025,941	-	1,025,941
City Inspections Operations	-	-	-	5,992,902	-	5,992,902
City Court Operations	-	-	-	1,893,556	-	1,893,556
Animal Control Operations	-	-	-	918,798	-	918,798
Beer Board	-	-	-	251,302	-	251,302
Finance & Accountability	1,909,683	-	-	-	-	1,909,683
Law Enforcement	387,592	-	-	2,732,206	-	3,119,798
Safety City	-	-	-	733,021	-	733,021
Storm Water Operations	-	-	-	3,906,862	-	3,906,862
Assigned to:						
Administration	1,050,420	-	-	-	-	1,050,420
Bond Rating Maintenance	16,150,133	-	-	-	-	16,150,133
Legal Settlements	-	-	-	5,194,517	-	5,194,517
Appropriated Fund Balance	332,500	-	-	-	-	332,500
Finance	12,078,393	-	-	-	-	12,078,393
Community Development	2,666,759	-	-	-	-	2,666,759
Law Enforcement	392,877	-	-	239,170	-	632,047
Public Services	644,299	-	-	-	-	644,299
Parks & Recreation	603,606	-	-	-	-	603,606
Unassigned	35,285,755	-	-	-	-	35,285,755
Total Fund Balances	\$ 140,452,368	\$ 51,717,976	\$ 135,949,416	\$ 2,074,080	\$ 44,783,016	\$ 374,976,856

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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 \$3.63 million were considered adequate to cover any costs incurred but not reported as of year-end.

	<u>2025</u>	<u>2024</u>
Estimated maximum claims liability, beginning of year	\$ 2,750,000	\$ 2,750,000
Provision for incurred claims	22,952,952	20,101,956
Payments made on claims	<u>(22,071,095)</u>	<u>(20,101,956)</u>
Estimated maximum claims liability, end of year	<u>\$ 3,631,857</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, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Estimated maximum claims liability, beginning of year	\$ 17,700,000	\$ 17,700,000
Provision for incurred claims	3,080,429	4,184,721
Payments made on claims	<u>(3,080,429)</u>	<u>(4,184,721)</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, 2025**

NOTE 13 - RISK MANAGEMENT - Continued

Estimated payments on insurance claims pending and claims incurred but not reported at June 30, 2025, were accrued in the financial statements of the fund based on pending claims filed and past experience, calculated in accordance with Governmental Accounting Standards Board Statement No. 10. The current portion of the claims liability is estimated to be \$5.1 million.

Component units

Knoxville Utilities Board

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

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is the Utilities Board's best estimate based on available information. At June 30, 2025, the amount of these liabilities was \$2,934,693. An analysis of claims activity for the years ended June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Estimated maximum claims liability, beginning of year	\$ 2,720,264	\$ 2,566,095
Provision for incurred claims	19,813,908	20,269,079
Payments made on claims	<u>(19,599,479)</u>	<u>(20,114,910)</u>
Estimated maximum claims liability, end of year	<u>\$ 2,934,693</u>	<u>\$ 2,720,264</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, 2025**

NOTE 14 - JOINT VENTURES

Sports Authority

The City is a participant in a joint venture with Knox County in the operation of the Sports Authority of the County of Knox and the City of Knoxville, Tennessee (Sports Authority). The Sports Authority was created (i) to plan, promote, finance, construct, acquire, renovate, equip and enlarge and operate sports complexes, stadiums, arenas, structures and facilities for public participation and enjoyment of professional and amateur sports, fitness, health and recreational activities, and (ii) to do what is reasonable and necessary to attract professional sports franchises to the City of Knoxville and Knox County thereby promoting economic development and prosperity. The Sports Authority is governed by a board of directors, having seven (7) directors, all of whom shall be duly qualified voters and taxpayers in the City of Knoxville and/or Knox County, Tennessee. Each director will be jointly appointed by the Commission of Knox County, Tennessee and the Council of the City of Knoxville, Tennessee. The City does not retain an equity interest in the joint venture. Complete separate financial statements for the Sports Authority may be obtained at their principal office located at 90 South Gay Street, Suite 1700, Knoxville, Tennessee 37902. No financial activity has occurred as of June 30, 2025.

Public Building Authority

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

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

Knoxville, Knox County, KUB Geographic Information Systems

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

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 15 - MANAGEMENT AGREEMENTS

The City has entered into the following management agreements:

Knoxville Zoo - The City entered into a new agreement on July 1, 2021, with Knoxville Zoological Gardens, Inc. DBA "Zoo Knoxville" whereby Zoo Knoxville shall lease the Zoo to provide for its operation and management. Under terms of the agreement, the City shall grant Zoo Knoxville \$1,514,190 as an annual allocation with a maximum annual increase of current CPI of 3.5%, based on a formula. This agreement expires on June 30, 2026.

City Golf Courses – On March 17, 2025, the City entered into an agreement with Purple Horse Hospitality, LLC to operate and manage the Whittle Springs Gold Course and the Knoxville Municipal Golf Course with an expiration date of March 16, 2030. This agreement has two each three-year renewal options. Under the terms of the agreement, the City shall pay Purple Horse a base management fee of \$5,000 per month per course. In addition, an incentive management fee for each full fiscal year will be paid when certain conditions are met.

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

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

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

Beginning July 1, 2016, the City entered into a new contract with ASM Global Knoxville for a 5-year management term, whereas all City personnel previously managed by ASM Global Knoxville were transitioned to ASM Global Knoxville employment. The extended term will continue until June 30, 2021, and includes a first optional 3-year renewal term, followed by a second optional 2 year renewal term. The amended agreement also includes ASM Global Knoxville managing the City's two Public Assembly Facilities, the Knoxville Civic Auditorium & Coliseum and Chilhowee Park & Exposition Center. The amended agreement calls for a fixed base fee of \$260,000 in the initial year of the contract. Thereafter, the fee may increase upward by the consumer price index with a ceiling of 3% during any fiscal year. Under the amendment, ASM Global Knoxville shall be eligible for annual quantitative incentive fees, of which shall not exceed 100% of the base compensation for each fiscal year. The City has exercised the second 2-year renewal option and the new term expires June 30, 2026.

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025, 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, 2025:

	<u>Spent to Date</u>	<u>Contractual Commitment Remaining at June 30, 2025</u>
Access Improvements	\$ -	\$ 174,134
Austin Homes Redevelopment	2,240,194	3,141,706
Bridge Maintenance	1,137,562	2,359,239
Building Improvements	446,332	247,776
Downtown Improvements	229,002	6,738
Drainage Improvements	484,636	1,251,329
Greenway Improvements	1,058,559	350,011
Information Technology Upgrades	919,726	829,286
New Sidewalk	202,133	253,166
Park Improvements	824,654	1,843,919
Paving Program	8,029,092	7,693,975
Public Safety Facilities	39,334,353	112,669
Roadway Improvements	5,503,884	2,368,802
Sidewalk Improvements	464,084	895,070
Solid Waste Facilities	5,300	500
Street Lighting	27,860	-
Streetscapes	2,491,946	19,714,408
Traffic Signal Upgrades	1,257,625	2,885,038
Urban Wilderness	4,376,410	3,042,333
Water Quality Improvements	60,284	67,956
Western Heights Revitalization	7,276,782	1,523,218
	<u>\$ 76,370,418</u>	<u>\$ 48,761,273</u>
Total		

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025 were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 3,107,350
Capital Projects	43,737,400
Miscellaneous CD Funds	
Miscellaneous Community Development Funds	1,349,772
Other Governmental Funds	
Special Revenue Funds	348,756
Miscellaneous Grants Funds	<u>8,032,884</u>
Total Other Governmental Funds	<u>8,381,640</u>
	<u><u>\$ 56,576,162</u></u>

Component units

Knoxville Utilities Board

Natural Gas Supply Contract Commitments - For fiscal year 2025, the Gas Division hedged 19 percent of its total gas purchases via gas supply contracts. As of June 30, 2025, the Gas Division had hedged the price on approximately 6 percent of its anticipated gas purchases for fiscal year 2026.

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

Firm obligations related to purchased gas – demand

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Demand:						
Transportation	\$ 29,104,778	\$ 34,093,858	\$ 34,093,858	\$ 34,093,858	\$ 34,093,858	\$ 9,597,056
Storage	<u>7,476,740</u>	<u>7,536,740</u>	<u>7,071,818</u>	<u>5,677,052</u>	<u>5,468,036</u>	<u>610,236</u>
Demand total	<u>\$ 36,581,518</u>	<u>\$ 41,630,598</u>	<u>\$ 41,165,676</u>	<u>\$ 39,770,910</u>	<u>\$ 39,561,894</u>	<u>\$ 10,207,292</u>
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031-2054</u>
Commodity:						
Baseload	<u>\$ 18,176,444</u>	<u>\$ 11,187,787</u>	<u>\$ 9,535,561</u>	<u>\$ 6,395,571</u>	<u>\$ 6,280,074</u>	<u>\$ 130,535,197</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 NextEra Energy are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for Enervest Operating LLC and CNX are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2025. The firm obligations value for Tennergy Corporation are based upon 30-year prepay gas contracts valued at the applicable Tennessee Zone 0 and Tennessee 800L strip prices on June 30, 2025.

**CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 16 - COMMITMENTS AND CONTINGENCIES - Continued

Other Commitments and Contingencies

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

NOTE 17 - BUSINESS AND CREDIT CONCENTRATIONS

The Authority is dependent to a large extent on five major airlines and their regional affiliates in that a significant portion of aviation area revenues are generated by these airlines. These airlines accounted for aviation area revenues totaling \$7,768,604 in 2025 and \$6,033,505 in 2024. In addition, a significant portion of terminal area revenue is directly and indirectly generated from four of these airlines' passengers, which accounted for approximately 98% and 97% of total passengers in 2025 and 2024. As of June 30, 2025 and 2024, 59% and 47%, respectively, of trade accounts receivables 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.

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CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 18 – TRANSFERS - Continued

Transfers To:	Transfers From:												Total
	Governmental Activities										Business-type Activities	Internal Service Funds	
	General Fund	Debt Service	Capital Projects	State Street Aid	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Public Assembly Facilities	Fleet Maintenance	
Primary Government:													
<i>Governmental Activities:</i>													
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,000	\$ 13,057	\$ -	\$ -	\$ -	\$ -	\$ 65,057
Debt Service	-	-	-	1,477,050	-	-	-	-	-	-	-	-	1,477,050
Capital Projects Fund	32,056,620	6,279,380	-	1,989,950	-	-	-	500,000	-	-	-	-	40,825,950
City Court	4,521	-	-	-	-	-	-	-	-	-	-	-	4,521
Miscellaneous Special Revenue Funds	363,019	-	-	-	-	-	-	-	-	-	-	-	363,019
Storm Water	3,790,850	-	-	-	-	-	-	-	-	-	-	-	3,790,850
Solid Waste	9,576,796	-	-	-	-	-	-	-	-	-	-	-	9,576,796
<i>Business-type Activities:</i>													
Convention Center	6,257,980	-	-	-	-	-	-	-	-	-	-	-	6,257,980
Metro Parking	800,000	-	-	-	-	-	-	-	-	-	-	-	800,000
Public Assembly Facilities	7,075,370	-	-	-	-	-	-	-	-	-	-	-	7,075,370
Municipal Golf Courses	230,220	-	-	-	-	-	-	-	-	-	-	-	230,220
<i>Internal Service Funds:</i>													
Fleet Maintenance	5,027,000	-	564,539	-	104,680	-	-	-	7,040	-	-	-	5,703,259
Risk Management	1,078,400	-	-	-	-	-	-	-	-	-	-	-	1,078,400
Equipment Replacement	4,337,817	-	-	-	-	1,473	-	-	3,846	146,470	4,213	6,545	4,500,364
City Buildings	10	-	-	-	-	-	-	-	-	-	-	-	10
	<u>\$ 70,598,603</u>	<u>\$ 6,279,380</u>	<u>\$ 564,539</u>	<u>\$ 3,467,000</u>	<u>\$ 104,680</u>	<u>\$ 1,473</u>	<u>\$ 52,000</u>	<u>\$ 513,057</u>	<u>\$ 10,886</u>	<u>\$ 146,470</u>	<u>\$ 4,213</u>	<u>\$ 6,545</u>	<u>\$ 81,748,846</u>

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 19 - RETIREMENT AND DISABILITY PLANS

City of Knoxville Pension System

General Information about the Pension Plan

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

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

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

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

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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 \$1,981,326 for 2025.

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, 2025

NOTE 19 - RETIREMENT AND DISABILITY PLANS - Continued

Employees covered by the benefit terms - Membership of the Plan consisted of the following at July 1, 2024, the date of the latest actuarial valuation:

Active participants	1,481
Terminated due refund	326
Vested terminated participants	142
Retired participants	<u>1,927</u>
 Total	 <u><u>3,876</u></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, 2024. Projected covered payroll for the year beginning July 1, 2024 amounted to approximately \$91,435,800. The ratio of the net pension liability to the covered payroll was 312.14%.

The contributions for the year ended June 30, 2025 were based on the actuarial valuation as of July 1, 2024 (2024 contributions were based on the July 1, 2023 valuation). The table below shows the contribution rates as percentages of covered payroll.

<u>Plan</u>	<u>2025</u>	<u>2024</u>
C	18.38%	18.26%
A, B, G	7.98%	7.78%
H, general government	9.34%	8.79%
H, uniformed	13.78%	12.74%

Amortization payments made by Plan, are as follows:

<u>Plan</u>	<u>2025</u>	<u>2024</u>
C	\$ 15,196,634	\$ 14,167,000
A, B, G (general government)	\$ 5,802,686	\$ 5,513,000
A, B (education)	\$ 1,981,326	\$ 2,091,000

In addition to these actuarially determined contributions, the City of Knoxville contributes 1.5% of the monthly base earnings of participants in Division G, Option 1 to defined contribution accounts held within the System. Contributions to this plan for the fiscal years ended June 30, 2025 and 2024 were \$12,834 and \$13,993, respectively.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2024, 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, 2025

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Actuarial assumptions: The total pension liability in the July 1, 2024 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	Market value, adjusted for 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; 7.1% per annum for all other divisions
Inflation	2.5% per annum

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

	<u>General Government</u>	<u>Uniformed Bodies</u>
Age 20	11.5%	11.5%
Age 35	4.7%	5.7%
Age 50	3.6%	3.8%
Age 60	3.0%	3.0%

In the July 1, 2024 valuation, Mortality rates for General Government (not including Board of Education) and Uniformed Bodies were based on 115% of the RP-2014 Blue Collar table rates projected to 2027 with MP-2021. Board of Education mortality rates are based on the 2024 PPA Annuitant static table.

The actuarial assumptions used in the July 1, 2024 valuation were based on the July 1, 2021 actuarial experience study.

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

Best estimates of geometric real rates of return for each major class included in the System's target asset allocation as of July 1, 2024 are summarized in the following table:

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 19 - RETIREMENT AND DISABILITY PLANS – Continued

Asset Class	30-Year Expected Nominal Return*	30-Year Expected Real Return
Core Fixed Income	5.10 %	2.60 %
Long-Term Government Fixed Income	4.90	2.40
TIPS	4.20	1.70
Emerging Markets Debt	6.60	4.10
Defensive Equity	6.20	3.70
Large Cap Value Stocks	7.30	4.80
Large Cap Growth Stocks	7.30	4.80
Small-Mid Cap Growth Stocks	7.60	5.10
Small-Mid Cap Value Stocks	8.20	5.70
Developed International Value Stocks	7.50	5.00
Emerging Markets Stocks	8.30	5.80
Global Low Volatility	7.30	4.80
Private Equity	11.40	8.90
Core Real Estate	6.40	3.90
Real Assets	6.90	4.40
Cash	3.50	1.00

*Includes 2.5% Inflation

Discount Rate: The discount rate used to measure the total pension liability on the first basis is equal to the System's expected rate of return of 7.10% (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.

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CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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, 2024 (July 1, 2023 measurement)	\$ 959,904,392	\$ 668,100,673	\$ 291,803,719
Changes for the year:			
Service cost	16,201,746	-	16,201,746
Interest expense	66,799,458	-	66,799,458
Experience losses (gains)	802,789	-	802,789
Change of assumptions	8,068,286	-	8,068,286
Contributions - City	-	32,818,903	(32,818,903)
Contributions - members	-	5,282,242	(5,282,242)
Net investment income (loss)	-	61,390,649	(61,390,649)
Refunds of contributions	(1,036,982)	(1,036,982)	-
Benefits paid	(57,017,001)	(57,017,001)	-
Plan administrative expenses	-	(1,226,696)	1,226,696
Net changes	33,818,296	40,211,115	(6,392,819)
Balances at June 30, 2025 (July 1, 2024 measurement)	\$ 993,722,688	\$ 708,311,788	\$ 285,410,900

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 7.10 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 (6.10 percent) or 1-percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)*	Current Rate (7.10%)*	1% Increase (8.10%)*
Net Pension Liability	\$ 405,507,339	\$ 285,410,900	\$ 185,610,602

* 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, 2025

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, 2025, the City recognized pension expense of \$46,495,273. At June 30, 2025, 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	\$ 18,580,190	\$ 3,236,918
Change in assumptions	24,972,957	-
Net difference between projected and actual earnings on investments	26,670,659	7,630,598
Contributions made subsequent to the measurement date	35,222,164	-
Total	<u>\$ 105,445,970</u>	<u>\$ 10,867,516</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,	
2026	12,109,155
2027	29,444,963
2028	7,892,812
2029	7,171,195
2030	1,470,869
Thereafter	1,267,296

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, 2025, the City reported no contributions payable to the pension plan required for the year ended June 30, 2025.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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 three 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. Forfeitures of non-vested employer contributions are reallocated within the plan or used to reduce future employer contributions, in accordance with the plan's provisions. Employee contributions are optional. Employer contributions totaled \$512,279 in fiscal 2025.

Deferred Compensation Plans

Primary Government

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

Component Unit

Metropolitan Knoxville Airport Authority

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

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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.

Because the plan is not administered through a qualifying trust, the plan does not hold assets that are legally restricted for the sole purpose of providing benefits to plan members and beneficiaries. As a result, the plan has no assets accumulated in a GASB-compliant trust.

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, 2025, the City and the retirees contributed \$1,329,267.

Employees covered by the benefit terms

At the measurement date of June 30, 2025, the following employees were covered by the benefit terms:

Active participants (covered)	1,321
Active participants (not covered)	-
Retired participants (covered)	<u>112</u>
Total	<u><u>1,433</u></u>

Total OPEB Liability

The City's total OPEB liability of \$20,083,626 was measured as of June 30, 2025, 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, 2025

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

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2024 actuarial valuation, measured as of June 30, 2025, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation method	Entry age normal
Discount Rate	4.81 percent
Healthcare cost trend rates	7.50 percent to grade uniformly to 6.60 percent over 3 years, and following the Getzen model thereafter until reaching an ultimate rate of 4.04 percent in the year 2075
Amortization period	20 years (closed)
Funding policy	Pay-as-you-go

The discount rate was based the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2025.

Mortality rates were based on 115% of the RP-2014 Blue Collar table rates projected to 2027 with MP-2021.

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

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

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CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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

Changes in the Total OPEB liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2024	\$ 16,461,625
Changes for the year:	
Service cost	510,317
Interest expense	640,030
Experience losses (gains)	3,423,556
Change of assumptions	599,852
Benefits paid	(1,474,856)
Net changes	<u>3,698,899</u>
Balances at June 30, 2025	<u>\$ 20,160,524</u>

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

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

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

	<u>1% Decrease (3.81%)</u>	<u>Current Rate (4.81%)</u>	<u>1% Increase (5.81%)</u>
Total OPEB Liability	\$ 21,428,494	\$ 20,160,524	\$ 18,977,435

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

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

	<u>1% Decrease 5.25% decreasing to 4.20% over 2 years and following the Getzen model thereafter</u>	<u>Current 6.25% decreasing to 5.20% over 2 years and following the Getzen model thereafter</u>	<u>1% Increase 7.25% decreasing to 6.20% over 2 years and following the Getzen model thereafter</u>
Total OPEB Liability	\$ 18,587,040	\$ 20,160,524	\$ 21,970,794

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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, 2025, the City recognized OPEB expense of \$642,548. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,710,967	\$ 52,140
Change in assumptions	<u>778,352</u>	<u>2,060,755</u>
Total	<u>\$ 6,489,319</u>	<u>\$ 2,112,895</u>

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

For the year ending <u>June 30,</u>	
2026	967,057
2027	967,063
2028	490,981
2029	490,973
2030	218,555
Thereafter	1,241,795

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CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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

Component Units

Knoxville Utilities Board

The Knoxville Utilities Board Other Post Employment Benefits Trust (the Trust) is a single-employer Other Post Employment Benefits Plan (OPEB Plan) established by the Knoxville Utilities Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust issues a financial report, which includes financial statements and required supplementary information. Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, giving that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

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

Metropolitan Knoxville Airport Authority and Knoxville Area Transit

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

NOTE 21 - RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

Amounts billed by the Knoxville Utilities Board to the City of Knoxville for electric, gas, water and sewer service	\$16,215,411
Payments by the Knoxville Utilities Board to the City of Knoxville in lieu of property tax	22,496,330
Payments by the Knoxville Utilities Board to the City of Knoxville for services provided	1,148,597
Accounts payable to the Knoxville Utilities Board	1,009,029

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 50 active PILOT agreements, with an estimated \$4,129,170 abated in fiscal 2025.

CITY OF KNOXVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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 18 active TIF agreements, with \$3,366,666 abated in 2025.

City of Knoxville Tax Abatements			
	PILOT	TIF	Total
2025	\$ 4,129,170	\$ 3,366,666	\$ 7,495,836
1 - 5 years	14,428,308	16,215,353	30,643,661
6 - 10 years	8,517,990	14,460,964	22,978,954
11 - 15 years	1,822,824	13,270,570	15,093,394
16 - 20 years	1,021,415	10,300,959	11,322,374
20 + years	330,175	5,484,867	5,815,042
Total Taxes Abated Over the Next 20+ years	<u>\$ 30,249,882</u>	<u>\$ 63,099,379</u>	<u>\$ 93,349,261</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*.

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CITY OF KNOXVILLE, TENNESSEE

Required Supplementary Information
June 30, 2025

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

Unaudited - See Independent Auditor's Report

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 16.2	\$ 15.7	\$ 13.5	\$ 13.4	\$ 13.2	\$ 13.0	\$ 13.0	\$ 13.1	\$ 13.1	\$ 12.6
Interest	66.8	65.5	60.2	59.1	57.9	56.4	55.1	52.5	51.8	50.9
Differences between expected and actual experience	0.7	(3.5)	29.2	2.1	(2.6)	2.1	(1.9)	(3.7)	2.1	(6.1)
Changes in assumptions	8.10	4.90	25.50	-	-	-	-	21.0	-	-
Benefit payments/refunds	(58.0)	(55.5)	(53.7)	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)
Net change in total pension liability	33.8	27.1	74.7	22.1	17.4	24.0	18.7	36.7	22.3	13.9
Total pension liability, beginning	959.9	932.8	858.1	836.0	818.6	794.6	775.9	739.2	716.9	703.0
Total pension liability, ending (a)	<u>\$ 993.7</u>	<u>\$ 959.9</u>	<u>\$ 932.8</u>	<u>\$ 858.1</u>	<u>\$ 836.0</u>	<u>\$ 818.6</u>	<u>\$ 794.6</u>	<u>\$ 775.9</u>	<u>\$ 739.2</u>	<u>\$ 716.9</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 32.8	\$ 29.9	\$ 28.7	\$ 28.9	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9	\$ 22.6
Contributions - employee	5.3	5.2	4.5	4.4	4.4	4.3	4.2	4.4	4.4	4.1
Net investment income	61.0	46.9	(55.0)	135.5	15.1	30.8	37.6	63.3	(1.0)	7.9
Benefit payments/refunds	(58.1)	(55.5)	(53.7)	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)
Administrative expenses	(0.8)	(0.8)	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Net change in plan fiduciary net position	\$ 40.2	\$ 25.7	\$ (76.4)	\$ 115.6	\$ (3.1)	\$ 15.6	\$ 19.3	\$ 44.6	\$ (18.1)	\$ (9.6)
Plan fiduciary net position - beginning	668.0	642.3	718.7	603.1	606.2	590.6	571.3	526.7	544.8	554.4
Plan fiduciary net position - ending (b)	<u>\$ 708.2</u>	<u>\$ 668.0</u>	<u>\$ 642.3</u>	<u>\$ 718.7</u>	<u>\$ 603.1</u>	<u>\$ 606.2</u>	<u>\$ 590.6</u>	<u>\$ 571.3</u>	<u>\$ 526.7</u>	<u>\$ 544.8</u>
Net pension liability - ending (a) - (b)	<u>\$ 285.5</u>	<u>\$ 291.9</u>	<u>\$ 290.5</u>	<u>\$ 139.4</u>	<u>\$ 232.9</u>	<u>\$ 212.4</u>	<u>\$ 204.0</u>	<u>\$ 204.6</u>	<u>\$ 212.5</u>	<u>\$ 172.1</u>
Plan fiduciary net position as a % of the total pension liability	71.3%	69.6%	68.9%	83.8%	72.1%	74.1%	74.3%	73.6%	71.3%	76.0%
Covered payroll	\$ 91.4	\$ 86.9	\$ 85.6	\$ 76.3	\$ 74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5	\$ 71.0
Net pension liability as a % of covered payroll	312.4%	335.9%	339.4%	182.7%	312.6%	288.2%	283.3%	281.8%	297.2%	242.4%

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, 2025**

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

Unaudited - See Independent Auditor's Report

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	\$ 35.2	\$ 32.8	\$ 29.9	\$ 28.7	\$ 28.9	\$ 29.2	\$ 28.7	\$ 25.7	\$ 23.8	\$ 23.9
Contributions in relation to the actuarially determined contribution	<u>35.2</u>	<u>32.8</u>	<u>29.9</u>	<u>28.7</u>	<u>28.9</u>	<u>29.2</u>	<u>28.7</u>	<u>25.7</u>	<u>23.8</u>	<u>23.9</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 100.4	\$ 91.4	\$ 86.9	\$ 85.6	\$ 76.3	\$ 74.5	\$ 73.7	\$ 72.0	\$ 72.6	\$ 71.5
Contributions as a percentage of covered payroll	35.1%	35.9%	34.4%	33.5%	37.9%	39.2%	38.9%	35.7%	32.8%	33.4%

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively.

Schedule of Employer Contributions - Knoxville Utilities Board

Unaudited - See Independent Auditor's Report

	January 1, 2024	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
Actuarially determined contribution	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887
Contributions in relation to the actuarially determined contribution	<u>1,659,187</u>	<u>1,866,261</u>	<u>3,144,770</u>	<u>3,416,428</u>	<u>2,876,752</u>	<u>2,871,241</u>	<u>3,456,475</u>	<u>4,286,597</u>	<u>5,243,146</u>	<u>5,991,887</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743
Contributions as a percentage of covered payroll	4.77%	5.24%	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively.

CITY OF KNOXVILLE, TENNESSEE

**Required Supplementary Information
June 30, 2025**

Schedule of Changes in Total OPEB Liability and Related Ratios

Unaudited - See Independent Auditor's Report

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability								
Service cost	\$ 510,317	\$ 486,016	\$ 836,059	\$ 796,247	\$ 688,710	\$ 655,914	\$ 624,680	\$ 436,576
Interest	640,030	652,900	394,479	394,917	431,372	427,163	317,285	349,404
Differences between expected and actual experience	3,423,556	-	1,106,079	-	2,159,141	-	4,031,515	(260,708)
Changes in assumptions	599,852	-	(2,943,936)	-	292,685	-	487,812	-
Benefit payments/refunds	<u>(1,474,856)</u>	<u>(1,329,267)</u>	<u>(1,251,075)</u>	<u>(1,025,345)</u>	<u>(965,031)</u>	<u>(1,066,425)</u>	<u>(992,024)</u>	<u>(384,860)</u>
Net change in total OPEB liability	3,698,899	(190,351)	(1,858,394)	165,819	2,606,877	16,652	4,469,268	140,412
Total OPEB liability-beginning	<u>16,461,625</u>	<u>16,651,976</u>	<u>18,510,370</u>	<u>18,344,551</u>	<u>15,737,674</u>	<u>15,721,022</u>	<u>11,251,754</u>	<u>11,111,342</u>
Total OPEB liability-ending	<u>\$ 20,160,524</u>	<u>\$ 16,461,625</u>	<u>\$ 16,651,976</u>	<u>\$ 18,510,370</u>	<u>\$ 18,344,551</u>	<u>\$ 15,737,674</u>	<u>\$ 15,721,022</u>	<u>\$ 11,251,754</u>
Covered-employee payroll	\$ 89,255,473	\$ 80,009,684	\$ 76,821,588	\$ 64,068,083	\$ 61,515,202	\$ 66,732,474	\$ 64,073,427	\$ 76,085,183
Total OPEB liability as a percentage of covered-employee payroll	22.6%	20.6%	21.7%	28.9%	29.8%	23.6%	24.5%	14.8%

Notes to Schedule

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

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

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

The following changes were made to the actuarial assumptions and methods effective June 30, 2024: 1) The discount rate is 4.81% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2024, compared to the prior Statement No. 75 discount rate of 4.13%. 2) The medical trend rate was updated and is assumed to follow the Getzen model after a three year transition period starting at 7.50%, graded down to 6.60% and to an ultimate rate of 4.04% in the year 2075. 3) The mortality table was updated to 115% of the RP-2014 Blue Collar table rates projected to 2027 with IRS Adjusted MP-2021.

The following changes were made to the actuarial assumptions and methods effective June 30, 2023: 1) The discount rate is 4.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2023, compared to the prior Statement No. 75 discount rate of 2.18%. 2) The health care cost trend rate was updated and is assumed to be 6.25% in 2023, grading to 5.20% over 2 years, and then following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075. 3) The mortality table was updated to 115% of the RP-2014 Blue Collar table rates projected to 2021 with MP-2021.

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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, 2025

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Assets						
Cash and cash equivalents	\$ -	\$ 200	\$ 7,512	\$ 100	\$ 5,431	\$ 1,649,623
Investments	4,389,243	-	1,072,598	6,098,945	1,932,294	-
Accounts receivable	1,166,241	1,036,582	3,754	7,759	6,743	7,998,977
Notes receivable	-	806,683	-	-	-	-
Inventories	502,841	12,567	-	-	-	-
Due from other funds	-	-	-	-	-	2,755,735
Due from component unit	-	-	-	-	-	651,496
Due from governmental agencies	-	-	-	-	-	-
Total assets	<u>\$ 6,058,325</u>	<u>\$ 1,856,032</u>	<u>\$ 1,083,864</u>	<u>\$ 6,106,804</u>	<u>\$ 1,944,468</u>	<u>\$ 13,055,831</u>
Liabilities						
Accounts payable	\$ 231,714	\$ 267,961	\$ 50,248	\$ 55,407	\$ 21,862	\$ 625,071
Accrued liabilities	-	9,201	7,675	55,269	14,397	42,622
Customer deposits	-	1,695	-	-	-	-
Due to other funds	-	726,927	-	3,227	684	7,638,447
Due to component unit	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	13,968	-
Total liabilities	<u>231,714</u>	<u>1,005,784</u>	<u>57,923</u>	<u>113,903</u>	<u>50,911</u>	<u>8,306,140</u>
Deferred inflows of resources						
Unavailable revenue - other	-	806,683	-	-	-	131,988
Total deferred inflows of resources	<u>-</u>	<u>806,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,988</u>
Fund balances						
Non-spendable	502,841	12,567	-	-	-	-
Restricted	5,323,770	30,998	-	-	-	-
Committed	-	-	1,025,941	5,992,901	1,893,557	4,617,703
Assigned	-	-	-	-	-	-
Total fund balances	<u>5,826,611</u>	<u>43,565</u>	<u>1,025,941</u>	<u>5,992,901</u>	<u>1,893,557</u>	<u>4,617,703</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,058,325</u>	<u>\$ 1,856,032</u>	<u>\$ 1,083,864</u>	<u>\$ 6,106,804</u>	<u>\$ 1,944,468</u>	<u>\$ 13,055,831</u>

Special Revenue Funds (continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
\$ -	\$ 325,127	\$ 396,679	\$ 100	\$ -	\$ 2,384,772	\$ 521,574	\$ 2,906,346
918,798	13,903,821	3,600,055	8,273,930	-	40,189,684	640,269	40,829,953
-	2,686	9,438	24,002	-	10,256,182	-	10,256,182
-	-	-	-	-	806,683	-	806,683
-	-	-	-	-	515,408	-	515,408
-	-	-	-	-	2,755,735	-	2,755,735
-	-	-	-	-	651,496	-	651,496
-	39,262	-	-	-	39,262	-	39,262
<u>\$ 918,798</u>	<u>\$ 14,270,896</u>	<u>\$ 4,006,172</u>	<u>\$ 8,298,032</u>	<u>\$ -</u>	<u>\$ 57,599,222</u>	<u>\$ 1,161,843</u>	<u>\$ 58,761,065</u>
\$ -	\$ 141,673	\$ 28,813	\$ 2,124,887	\$ -	\$ 3,547,636	\$ -	\$ 3,547,636
-	4,657	64,891	15,477	-	214,189	-	214,189
-	726,659	-	-	-	728,354	-	728,354
-	38,089	5,605	117,153	-	8,530,132	-	8,530,132
-	-	-	-	-	-	-	-
-	5,099	-	-	-	19,067	-	19,067
<u>-</u>	<u>916,177</u>	<u>99,309</u>	<u>2,257,517</u>	<u>-</u>	<u>13,039,378</u>	<u>-</u>	<u>13,039,378</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>938,671</u>	<u>-</u>	<u>938,671</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>938,671</u>	<u>-</u>	<u>938,671</u>
-	-	-	-	-	515,408	672,976	1,188,384
-	4,380,707	-	6,040,515	-	15,775,990	488,867	16,264,857
918,798	3,540,325	3,906,863	-	-	21,896,088	-	21,896,088
-	5,433,687	-	-	-	5,433,687	-	5,433,687
<u>918,798</u>	<u>13,354,719</u>	<u>3,906,863</u>	<u>6,040,515</u>	<u>-</u>	<u>43,621,173</u>	<u>1,161,843</u>	<u>44,783,016</u>
<u>\$ 918,798</u>	<u>\$ 14,270,896</u>	<u>\$ 4,006,172</u>	<u>\$ 8,298,032</u>	<u>\$ -</u>	<u>\$ 57,599,222</u>	<u>\$ 1,161,843</u>	<u>\$ 58,761,065</u>

CITY OF KNOXVILLE, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

Special Revenue Funds

	State Street Aid	Community Development Block Grants	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Grants
Revenues						
Taxes, assessments, interest & penalties	\$ 6,760,991	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits & inspection charges	-	-	-	5,701,745	-	-
Intergovernmental	-	1,719,741	-	-	148,587	8,977,802
Charges for services	-	-	596,930	-	15,150	-
Fines & forfeitures	-	-	-	-	885,682	-
Other	109,874	140,184	473,656	243,727	116,773	84,073
Total revenues	<u>6,870,865</u>	<u>1,859,925</u>	<u>1,070,586</u>	<u>5,945,472</u>	<u>1,166,192</u>	<u>9,061,875</u>
Expenditures						
Current:						
Administration	-	-	-	-	-	2,848,809
Finance	-	-	-	-	-	174,208
Community Development	-	1,859,925	-	-	-	-
Parks and Recreation	-	-	-	-	-	707,013
Engineering	3,188,909	-	924,777	-	-	3,944,305
Public Services	-	-	-	4,274,382	-	75,128
Law	-	-	-	-	1,374,536	-
Police	-	-	-	-	-	2,733,521
Emergency Management	-	-	-	-	-	30,026
Fire	-	-	-	-	-	94,539
Legislative	-	-	-	-	-	-
Debt Service:						
Interest	-	-	-	-	-	233,237
Total expenditures	<u>3,188,909</u>	<u>1,859,925</u>	<u>924,777</u>	<u>4,274,382</u>	<u>1,374,536</u>	<u>10,840,786</u>
Excess (deficiency) of revenues over (under) expenditures	3,681,956	-	145,809	1,671,090	(208,344)	(1,778,911)
Other financing sources (uses)						
Retirement of debt	-	-	-	-	-	(1,769,040)
Transfers in	-	-	-	-	4,521	-
Transfers out	(3,467,000)	-	(104,680)	(1,473)	(52,000)	-
Total other financing sources (uses)	<u>(3,467,000)</u>	<u>-</u>	<u>(104,680)</u>	<u>(1,473)</u>	<u>(47,479)</u>	<u>(1,769,040)</u>
Net changes in fund balances	214,956	-	41,129	1,669,617	(255,823)	(3,547,951)
Fund balances - beginning	<u>5,611,655</u>	<u>43,565</u>	<u>984,812</u>	<u>4,323,284</u>	<u>2,149,380</u>	<u>8,165,654</u>
Fund balances - ending	<u>\$ 5,826,611</u>	<u>\$ 43,565</u>	<u>\$ 1,025,941</u>	<u>\$ 5,992,901</u>	<u>\$ 1,893,557</u>	<u>\$ 4,617,703</u>

Special Revenue Funds (Continued)						Permanent Fund	
Animal Control	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Knoxville Civic Revitalization	Total Special Revenue Funds	Krutch Park	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,760,991	\$ -	\$ 6,760,991
-	-	-	-	-	5,701,745	-	5,701,745
-	246,155	-	62,665	-	11,154,950	-	11,154,950
7,876	26,725	760,341	2,620,607	199,998	4,227,627	-	4,227,627
-	726,194	-	-	-	1,611,876	-	1,611,876
41,506	928,772	156,943	412,075	-	2,707,583	51,426	2,759,009
49,382	1,927,846	917,284	3,095,347	199,998	32,164,772	51,426	32,216,198
-	-	-	-	-	2,848,809	-	2,848,809
-	-	-	-	199,998	374,206	-	374,206
-	-	-	-	-	1,859,925	-	1,859,925
-	204,343	-	-	-	911,356	-	911,356
-	-	4,026,731	-	-	12,084,722	-	12,084,722
-	89,733	-	13,178,939	-	17,618,182	-	17,618,182
-	-	-	-	-	1,374,536	-	1,374,536
-	1,218,634	-	-	-	3,952,155	-	3,952,155
-	-	-	-	-	30,026	-	30,026
-	181,905	-	-	-	276,444	-	276,444
-	6,483	-	-	-	6,483	-	6,483
-	-	-	-	-	233,237	-	233,237
-	1,701,098	4,026,731	13,178,939	199,998	41,570,081	-	41,570,081
49,382	226,748	(3,109,447)	(10,083,592)	-	(9,405,309)	51,426	(9,353,883)
-	-	-	-	-	(1,769,040)	-	(1,769,040)
-	363,019	3,790,850	9,576,796	-	13,735,186	-	13,735,186
-	(513,057)	(10,886)	(146,470)	-	(4,295,566)	-	(4,295,566)
-	(150,038)	3,779,964	9,430,326	-	7,670,580	-	7,670,580
49,382	76,710	670,517	(653,266)	-	(1,734,729)	51,426	(1,683,303)
869,416	13,278,009	3,236,346	6,693,781	-	45,355,902	1,110,417	46,466,319
\$ 918,798	\$ 13,354,719	\$ 3,906,863	\$ 6,040,515	\$ -	\$ 43,621,173	\$ 1,161,843	\$ 44,783,016

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, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, assessments, interest & penalties	\$ 6,600,000	6,600,000	\$ 6,760,991	\$ 160,991
Other	80,000	(7,030)	109,874	116,904
Total revenues	<u>6,680,000</u>	<u>6,592,970</u>	<u>6,870,865</u>	<u>277,895</u>
Expenditures				
Current:				
Engineering	<u>3,213,000</u>	<u>3,195,970</u>	<u>3,188,909</u>	<u>7,061</u>
Total expenditures	<u>3,213,000</u>	<u>3,195,970</u>	<u>3,188,909</u>	<u>7,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,467,000</u>	<u>3,397,000</u>	<u>3,681,956</u>	<u>284,956</u>
Other financing sources (uses)				
Transfers out	<u>(3,467,000)</u>	<u>(3,397,000)</u>	<u>(3,467,000)</u>	<u>(70,000)</u>
Total other financing sources (uses)	<u>(3,467,000)</u>	<u>(3,397,000)</u>	<u>(3,467,000)</u>	<u>(70,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	214,956	<u>\$ 214,956</u>
Fund balance - beginning			<u>5,611,655</u>	
Fund balance - ending			<u>\$ 5,826,611</u>	

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GAAP BASIS
COMMUNITY DEVELOPMENT BLOCK GRANTS
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 1,974,510	\$ 1,974,510	\$ 1,719,741	\$ (254,769)
Other	100,000	431,522	140,184	(291,338)
Total revenues	<u>2,074,510</u>	<u>2,406,032</u>	<u>1,859,925</u>	<u>(546,107)</u>
Expenditures:				
Current:				
Community Development	<u>2,074,510</u>	<u>2,406,032</u>	<u>1,859,925</u>	<u>546,107</u>
Total expenditures	<u>2,074,510</u>	<u>2,406,032</u>	<u>1,859,925</u>	<u>546,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	<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>-</u>	<u>-</u>
Fund balances - beginning			<u>43,565</u>	
Fund balances - ending			<u>\$ 43,565</u>	

CITY OF KNOXVILLE , TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ABANDONED VEHICLES
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services:	\$ 425,000	\$ 425,000	\$ 596,930	\$ 171,930
Other	764,950	764,936	473,656	(291,280)
Total revenues	<u>1,189,950</u>	<u>1,189,936</u>	<u>1,070,586</u>	<u>(119,350)</u>
Expenditures				
Current:				
Fleet	<u>1,189,950</u>	<u>1,085,256</u>	<u>924,777</u>	<u>160,479</u>
Total expenditures	<u>1,189,950</u>	<u>1,085,256</u>	<u>924,777</u>	<u>160,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>104,680</u>	<u>145,809</u>	<u>41,129</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(104,680)	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(104,680)</u>	<u>-</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 104,680</u>	<u>41,129</u>	<u>\$ 41,129</u>
Fund balance - beginning			<u>984,812</u>	
Fund balance - ending			<u>\$ 1,025,941</u>	

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, 2025

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Licenses, permits & inspection charges	\$ 3,743,290	\$ 3,743,290	\$ 5,701,745	\$ 1,958,455
Other	3,870	3,879	243,727	239,848
Total revenues	<u>3,747,160</u>	<u>3,747,169</u>	<u>5,945,472</u>	<u>2,198,303</u>
Expenditures				
Current:				
Inspections	<u>4,472,130</u>	<u>4,470,659</u>	<u>4,274,382</u>	<u>196,277</u>
Total expenditures	<u>4,472,130</u>	<u>4,470,659</u>	<u>4,274,382</u>	<u>196,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(724,970)</u>	<u>(723,490)</u>	<u>1,671,090</u>	<u>2,394,580</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(1,480)	(1,473)	7
Appropriated fund balance	<u>724,970</u>	<u>724,970</u>	<u>-</u>	<u>(724,970)</u>
Total other financing sources (uses)	<u>724,970</u>	<u>723,490</u>	<u>(1,473)</u>	<u>(724,963)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,669,617</u>	<u>\$ 1,669,617</u>
Fund balance - beginning			<u>4,323,284</u>	
Fund balance - ending			<u>\$ 5,992,901</u>	

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	\$ 215,000	\$ 215,000	\$ 148,587	\$ (66,413)
Charges for services	15,000	15,000	15,150	150
Fines & forfeitures	1,245,000	1,245,000	885,682	(359,318)
Appropriated fund balance	47,740	47,740	-	(47,740)
Other	62,000	62,092	116,773	54,681
Total revenues	<u>1,584,740</u>	<u>1,584,832</u>	<u>1,166,192</u>	<u>(418,640)</u>
Expenditures				
Current:				
Law	<u>1,584,740</u>	<u>1,537,322</u>	<u>1,374,536</u>	<u>162,786</u>
Total expenditures	<u>1,584,740</u>	<u>1,537,322</u>	<u>1,374,536</u>	<u>162,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>47,510</u>	<u>(208,344)</u>	<u>(255,854)</u>
Other financing sources (uses)				
Transfers in	-	4,490	4,521	31
Transfers out	-	(52,000)	(52,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(47,510)</u>	<u>(47,479)</u>	<u>31</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(255,823)</u>	<u>\$ (255,823)</u>
Fund balance - beginning			<u>2,149,380</u>	
Fund balance - ending			<u>\$ 1,893,557</u>	

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
ANIMAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ -	\$ -	\$ 7,876	\$ 7,876
Other	-	-	41,506	41,506
Total revenues	-	-	49,382	49,382
Expenditures				
Current:				
Public services	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	49,382	49,382
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	49,382	<u>\$ 49,382</u>
Fund balances - beginning			869,416	
Fund balances - ending			<u>\$ 918,798</u>	

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, 2025**

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 246,155	\$ 246,155
Charges for services	32,080	32,080	26,725	(5,355)
Fines & forfeitures	233,360	233,360	726,194	492,834
Other	106,960	130,380	928,772	798,392
Total revenues	<u>372,400</u>	<u>395,820</u>	<u>1,927,846</u>	<u>1,532,026</u>
Expenditures				
Current:				
Parks and recreation	20,000	281,943	204,343	77,600
Public services	109,500	109,500	89,733	19,767
Police	2,041,900	2,168,712	1,218,634	950,078
Fire	832,730	872,785	181,905	690,880
Legislative	155,000	155,000	6,483	148,517
Total expenditures	<u>3,159,130</u>	<u>3,587,940</u>	<u>1,701,098</u>	<u>1,886,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,786,730)</u>	<u>(3,192,120)</u>	<u>226,748</u>	<u>3,418,868</u>
Other financing sources (uses)				
Transfers in	357,630	363,020	363,019	(1)
Transfers out	(500,000)	(500,000)	(513,057)	(13,057)
Appropriated fund balance	2,929,100	3,329,100	-	(3,329,100)
Total other financing sources (uses)	<u>2,786,730</u>	<u>3,192,120</u>	<u>(150,038)</u>	<u>(3,342,158)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	76,710	<u>\$ 76,710</u>
Fund balances - beginning			<u>13,278,009</u>	
Fund balances - ending			<u>\$ 13,354,719</u>	

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
STORM WATER
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 530,000	\$ 530,000	\$ 760,341	\$ 230,341
Other	85,070	98,066	156,943	58,877
Total revenues	615,070	628,066	917,284	289,218
Expenditures				
Current:				
Engineering	4,405,920	4,408,026	4,026,731	381,295
Total expenditures	4,405,920	4,408,026	4,026,731	381,295
Excess (deficiency) of revenues over (under) expenditures	(3,790,850)	(3,779,960)	(3,109,447)	670,513
Other financing sources (uses)				
Transfers in	3,790,850	3,790,850	3,790,850	-
Transfers out	-	(10,890)	(10,886)	4
Total other financing sources (uses)	3,790,850	3,779,960	3,779,964	4
Net changes in fund balances	\$ -	\$ -	670,517	\$ 670,517
Fund balance - beginning			3,236,346	
Fund balance - ending			\$ 3,906,863	

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, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 2,620,000	\$ 2,620,000	\$ 2,620,607	\$ 607
Intergovernmental	80,000	80,000	62,665	(17,335)
Other	269,920	(707,852)	412,075	1,119,927
Total revenues	<u>2,969,920</u>	<u>1,992,148</u>	<u>3,095,347</u>	<u>1,103,199</u>
Expenditures				
Current:				
Public Services	<u>12,710,270</u>	<u>13,222,454</u>	<u>13,178,939</u>	<u>43,515</u>
Total expenditures	<u>12,710,270</u>	<u>13,222,454</u>	<u>13,178,939</u>	<u>43,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,740,350)</u>	<u>(11,230,306)</u>	<u>(10,083,592)</u>	<u>1,146,714</u>
Other financing sources (uses)				
Transfers in	9,740,350	11,376,796	9,576,796	(1,800,000)
Transfers out	<u>-</u>	<u>(146,490)</u>	<u>(146,470)</u>	<u>20</u>
Total other financing sources (uses)	<u>9,740,350</u>	<u>11,230,306</u>	<u>9,430,326</u>	<u>(1,799,980)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(653,266)</u>	<u>\$ (653,266)</u>
Fund balance - beginning			<u>6,693,781</u>	
Fund balance - ending			<u>\$ 6,040,515</u>	

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2025

Assets

Cash and cash equivalents	\$ 100
Investments	58,590,391
Accounts receivable	174,525
Taxes receivable	<u>12,650,438</u>
Total assets	<u>\$ 71,415,454</u>

Liabilities

Due to other funds	7,125,000
Due to other governmental agencies	<u>2,586</u>
Total liabilities	<u>7,127,586</u>

Deferred inflows of resources

Unavailable revenue - property taxes	<u>12,569,892</u>
Total deferred inflows of resources	<u>12,569,892</u>

Fund balances

Committed	<u>51,717,976</u>
Total fund balance	<u>51,717,976</u>

Total liabilities, deferred inflows of resources and fund balance	<u>\$ 71,415,454</u>
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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, 2025

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes, assessments, interest & penalties	\$ 12,003,780	\$ 12,003,780	\$ 11,986,620	\$ (17,160)
Other	1,750,000	1,750,000	3,311,514	1,561,514
Total revenues	13,753,780	13,753,780	15,298,134	1,544,354
Expenditures				
Current:				
Debt service:				
Principal retirement	6,960,000	6,960,000	6,960,000	-
Interest payments on bonds & notes	3,370,450	3,370,450	3,370,450	-
Total expenditures	10,330,450	10,330,450	10,330,450	-
Excess (deficiency) of revenues over (under) expenditures	3,423,330	3,423,330	4,967,684	1,544,354
Other financing sources (uses)				
Transfers in	1,477,050	1,477,050	1,477,050	-
Transfers out	(6,279,380)	(6,279,380)	(6,279,380)	-
Appropriated fund balance	1,379,000	1,379,000	-	(1,379,000)
Total other financing sources (uses)	(3,423,330)	(3,423,330)	(4,802,330)	(1,379,000)
Net changes in fund balances	\$ -	\$ -	165,354	\$ 165,354
Fund balance - beginning			51,552,622	
Fund balance - ending			<u>\$ 51,717,976</u>	

CITY OF KNOXVILLE, TENNESSEE

BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2025

Assets

Cash and cash equivalents	\$ 2,129,015
Investments	126,084,436
Accounts receivable	3,218,909
Notes receivable	14,000,000
Inventory	11,000
Due from component unit	-
Due from other funds	797,958
Total assets	<u>\$ 146,241,318</u>

Liabilities

Accounts payable	6,596,908
Accrued liabilities	2,145,727
Due to other funds	486,733
Total liabilities	<u>9,229,368</u>

Deferred inflows of resources

Unavailable revenue - other	<u>1,062,534</u>
Total deferred inflows of resources	<u>1,062,534</u>

Fund balance

Nonspendable	11,000
Committed	<u>135,938,416</u>
Total fund balance	<u>135,949,416</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 146,241,318</u></u>

CITY OF KNOXVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FROM INCEPTION
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<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	\$ 83,801,723	\$ 2,589,576	\$ 86,391,299	\$ 219,897,000	\$ (133,505,701)
Other	67,770,690	8,190,922	75,961,612	84,187,972	(8,226,360)
Total revenues	<u>151,572,413</u>	<u>10,780,498</u>	<u>162,352,911</u>	<u>304,084,972</u>	<u>(141,732,061)</u>
Expenditures					
Current:					
Capital & grant projects	<u>632,223,862</u>	<u>58,468,509</u>	<u>690,692,371</u>	<u>957,216,730</u>	<u>266,524,359</u>
Total expenditures	<u>632,223,862</u>	<u>58,468,509</u>	<u>690,692,371</u>	<u>957,216,730</u>	<u>266,524,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(480,651,449)</u>	<u>(47,688,011)</u>	<u>(528,339,460)</u>	<u>(653,131,758)</u>	<u>124,792,298</u>
Other financing sources (uses)					
Bonds proceeds	46,745,932	-	46,745,932	167,241,030	(120,495,098)
Debt issue premium	527,039	-	527,039	-	527,039
Transfers in	513,768,026	40,825,950	554,593,976	485,890,728	68,703,248
Transfers out	<u>(8,005,329)</u>	<u>(564,539)</u>	<u>(8,569,868)</u>	-	<u>(8,569,868)</u>
Total other financing sources (uses)	<u>553,035,668</u>	<u>40,261,411</u>	<u>593,297,079</u>	<u>653,131,758</u>	<u>(59,834,679)</u>
Net changes in fund balance	<u>\$ 72,384,219</u>	<u>(7,426,600)</u>	<u>\$ 64,957,619</u>	<u>\$ -</u>	<u>\$ 64,957,619</u>
Fund balance - beginning		<u>143,376,016</u>			
Fund balance - ending		<u>\$ 135,949,416</u>			

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, 2025

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash & temporary investments	\$ 490,608	\$ 4,522,500	\$ 847,899	\$ 5,861,007
Investments	12,583,666	5,364,276	1,798,948	19,746,890
Accounts receivable	185,999	284,536	50,055	520,590
Due from other funds	-	9,799,702	-	9,799,702
Due from component unit	-	1,817,050	-	1,817,050
Inventories	-	54,087	45,543	99,630
Prepaid items	-	114,166	49,312	163,478
Total current assets	<u>13,260,273</u>	<u>21,956,317</u>	<u>2,791,757</u>	<u>38,008,347</u>
Noncurrent assets				
Land and site improvements	2,079,796	1,831,368	473,119	4,384,283
Buildings and improvements	41,143,781	31,824,581	47,740	73,016,102
Equipment, furniture and fixtures	1,603,759	5,264,269	126,412	6,994,440
Infrastructure and site improvements	-	118,960	1,120,000	1,238,960
Construction in progress	348,447	1,321,918	-	1,670,365
Less: accumulated depreciation	<u>(27,439,334)</u>	<u>(26,668,540)</u>	<u>(654,546)</u>	<u>(54,762,420)</u>
Total capital assets (net of accumulated depreciation)	17,736,449	13,692,556	1,112,725	32,541,730
Equity interest in joint venture	-	-	-	-
Total noncurrent assets	<u>17,736,449</u>	<u>13,692,556</u>	<u>1,112,725</u>	<u>32,541,730</u>
Total assets	<u>30,996,722</u>	<u>35,648,873</u>	<u>3,904,482</u>	<u>70,550,077</u>
Liabilities				
Current liabilities				
Accounts payable	23,918	1,359,805	323,285	1,707,008
Accrued liabilities	49,137	4,600	4,026	57,763
Unearned revenue	-	1,624,315	36,333	1,660,648
Due to other funds	1,479	203,841	480,841	686,161
Total current liabilities	<u>74,534</u>	<u>3,192,561</u>	<u>844,485</u>	<u>4,111,580</u>
Total liabilities	<u>74,534</u>	<u>3,192,561</u>	<u>844,485</u>	<u>4,111,580</u>
Net position				
Net investment in capital assets	17,736,449	13,692,556	1,112,725	32,541,730
Unrestricted	<u>13,185,739</u>	<u>18,763,756</u>	<u>1,947,272</u>	<u>33,896,767</u>
Total net position	<u>\$ 30,922,188</u>	<u>\$ 32,456,312</u>	<u>\$ 3,059,997</u>	<u>\$ 66,438,497</u>

CITY OF KNOXVILLE, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Metro Parking	Public Assembly Facilities	Municipal Golf Courses	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 4,730,936	\$ 6,287,839	\$ 1,854,470	\$ 12,873,245
Total operating revenues	<u>4,730,936</u>	<u>6,287,839</u>	<u>1,854,470</u>	<u>12,873,245</u>
Operating expenses				
Personal services	402,169	-	-	402,169
Materials & supplies	128,454	12,647	-	141,101
Depreciation & amortization	1,378,944	1,098,425	63,202	2,540,571
Other operating expenses	3,632,946	11,194,658	2,104,585	16,932,189
Total operating expenses	<u>5,542,513</u>	<u>12,305,730</u>	<u>2,167,787</u>	<u>20,016,030</u>
Operating income (loss)	<u>(811,577)</u>	<u>(6,017,891)</u>	<u>(313,317)</u>	<u>(7,142,785)</u>
Nonoperating revenue (expense)				
Interest income	604,382	211,741	65,851	881,974
Intergovernmental revenue	-	-	-	-
Total nonoperating revenue (expense)	<u>604,382</u>	<u>211,741</u>	<u>65,851</u>	<u>881,974</u>
Loss before transfers and capital contributions	<u>(207,195)</u>	<u>(5,806,150)</u>	<u>(247,466)</u>	<u>(6,260,811)</u>
Transfers in	800,000	7,075,370	230,220	8,105,590
Transfers out	-	(4,213)	-	(4,213)
Capital contributions	<u>269,916</u>	<u>1,774,101</u>	<u>35,873</u>	<u>2,079,890</u>
Change in net position	862,721	3,039,108	18,627	3,920,456
Fund balances - beginning	<u>30,059,467</u>	<u>29,417,204</u>	<u>3,041,370</u>	<u>62,518,041</u>
Fund balances - ending	<u>\$ 30,922,188</u>	<u>\$ 32,456,312</u>	<u>\$ 3,059,997</u>	<u>\$ 66,438,497</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<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	\$ 5,013,621	\$ 7,529,086	\$ 1,831,033	\$ 14,373,740
Cash paid to suppliers	(3,777,930)	(11,944,702)	(1,952,486)	(17,675,118)
Cash paid to employees	(385,154)	-	-	(385,154)
Net cash provided by (used in) operating activities	<u>850,537</u>	<u>(4,415,616)</u>	<u>(121,453)</u>	<u>(3,686,532)</u>
Noncapital financing activities				
Transfers from other funds	801,479	8,776,298	295,854	9,873,631
Transfers to other funds	-	-	-	-
Tax and intergovernmental revenues	-	1,774,101	-	1,774,101
Net cash provided by (used in) noncapital financing activities	<u>801,479</u>	<u>10,550,399</u>	<u>295,854</u>	<u>11,647,732</u>
Capital and related financing activities				
Acquisition and construction of capital assets	(269,918)	(1,774,100)	(35,874)	(2,079,892)
Capital contributions	269,916	-	35,874	305,790
Net cash used in capital and related financing activities	<u>(2)</u>	<u>(1,774,100)</u>	<u>-</u>	<u>(1,774,102)</u>
Investing activities				
Sales/(purchases) of investments, net	(1,766,697)	(2,039,667)	(549,368)	(4,355,732)
Investment earnings	604,382	211,741	65,851	881,974
Net cash provided by (used in) investing activities	<u>(1,162,315)</u>	<u>(1,827,926)</u>	<u>(483,517)</u>	<u>(3,473,758)</u>
Net increase (decrease) in cash and cash equivalents	<u>489,699</u>	<u>2,532,757</u>	<u>(309,116)</u>	<u>2,713,340</u>
Cash and cash equivalents				
Beginning of year	<u>909</u>	<u>1,989,743</u>	<u>1,157,015</u>	<u>3,147,667</u>
End of year	<u>\$ 490,608</u>	<u>\$ 4,522,500</u>	<u>\$ 847,899</u>	<u>\$ 5,861,007</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Metro Parking</u>	<u>Public Assembly Facilities</u>	<u>Municipal Golf Courses</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating loss	\$ (811,577)	\$ (6,017,891)	\$ (313,317)	\$ (7,142,785)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	1,378,944	1,098,425	63,202	2,540,571
Change in assets and liabilities				
(Increase) decrease in receivables	282,685	(159,289)	(34,521)	88,875
(Increase) decrease in prepayments	-	(59,853)	17,215	(42,638)
(Increase) decrease in inventories	-	806	9,823	10,629
Increase (decrease) in accounts payable	(16,530)	(203,676)	125,061	(95,145)
Increase (decrease) in accrued expenses	17,015	(534,527)	-	(517,512)
Increase (decrease) in deferred revenue	-	1,460,389	11,084	1,471,473
Total adjustments	<u>1,662,114</u>	<u>1,602,275</u>	<u>191,864</u>	<u>3,456,253</u>
Net cash provided by (used in) operating activities	<u>\$ 850,537</u>	<u>\$ (4,415,616)</u>	<u>\$ (121,453)</u>	<u>\$ (3,686,532)</u>

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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, 2025

Assets	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Current assets						
Cash & temporary investments	\$ 2,647,169	\$ 129,436	\$ 895,473	\$ 100	\$ 2,862,781	\$ 6,534,959
Investments	70,644,596	44,786,675	25,977,227	33,313,195	477,870	175,199,563
Accounts receivable	35,259	346,846	387,823	-	-	769,928
Due from other funds	5,220,628	-	6,326	-	-	5,226,954
Due from component unit	-	-	-	5,098,478	-	5,098,478
Inventories	2,045,665	-	-	-	-	2,045,665
Total current assets	<u>80,593,317</u>	<u>45,262,957</u>	<u>27,266,849</u>	<u>38,411,773</u>	<u>3,340,651</u>	<u>194,875,547</u>
Noncurrent assets						
Land & site improvements	-	-	-	-	-	-
Construction in process	688,635	-	-	994,159	-	1,682,794
Building & building improvements	257,391	-	-	-	-	257,391
Equipment	108,375,081	19,995	-	35,500,719	-	143,895,795
Less: accumulated depreciation	(63,357,095)	(19,995)	-	(24,318,967)	-	(87,696,057)
Total capital assets (net of accumulated depreciation)	45,964,012	-	-	12,175,911	-	58,139,923
Equity interest in joint venture	-	-	-	-	2,235,616	2,235,616
Total noncurrent assets	45,964,012	-	-	12,175,911	2,235,616	60,375,539
Total assets	<u>126,557,329</u>	<u>45,262,957</u>	<u>27,266,849</u>	<u>50,587,684</u>	<u>5,576,267</u>	<u>255,251,086</u>
Deferred outflows of resources						
Pensions	1,834,809	349,734	164,552	-	-	2,349,095
Total deferred outflows of resources	<u>1,834,809</u>	<u>349,734</u>	<u>164,552</u>	<u>-</u>	<u>-</u>	<u>2,349,095</u>
Liabilities						
Current liabilities						
Accounts payable	1,168,015	-	1,262,325	-	-	2,430,340
Accrued liabilities	367,843	36,191	56,689	-	-	460,723
Customer deposits	-	-	-	-	-	-
Due to other funds	-	166,208	614,427	797,958	-	1,578,593
Compensated absences	-	-	-	-	-	-
Estimated claims liability	-	5,100,000	-	-	-	5,100,000
Total current liabilities	<u>1,535,858</u>	<u>5,302,399</u>	<u>1,933,441</u>	<u>797,958</u>	<u>-</u>	<u>9,569,656</u>
Noncurrent liabilities						
Net pension liability	4,966,285	946,626	445,392	-	-	6,358,303
Estimated claims liability	-	12,600,000	3,631,857	-	-	16,231,857
Total noncurrent liabilities	<u>4,966,285</u>	<u>13,546,626</u>	<u>4,077,249</u>	<u>-</u>	<u>-</u>	<u>22,590,160</u>
Total liabilities	<u>6,502,143</u>	<u>18,849,025</u>	<u>6,010,690</u>	<u>797,958</u>	<u>-</u>	<u>32,159,816</u>
Deferred inflows of resources						
Pensions	189,100	36,044	16,959	-	-	242,103
Total deferred inflows of resources	<u>189,100</u>	<u>36,044</u>	<u>16,959</u>	<u>-</u>	<u>-</u>	<u>242,103</u>
Net position						
Net investment in capital assets	45,964,012	-	-	12,175,911	-	58,139,923
Unrestricted	75,736,883	26,727,622	21,403,752	37,613,815	5,576,267	167,058,339
Total net position	<u>\$ 121,700,895</u>	<u>\$ 26,727,622</u>	<u>\$ 21,403,752</u>	<u>\$ 49,789,726</u>	<u>\$ 5,576,267</u>	<u>\$ 225,198,262</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Fleet Maintenance	Risk Management	Health Insurance	Equipment Replacement	City Buildings	Total
Operating revenues						
Charges for services	\$ 22,140,052	\$ 9,503,880	\$ 23,155,819	\$ 3,948,920	7,079,783	\$ 65,828,454
Total operating revenues	<u>22,140,052</u>	<u>9,503,880</u>	<u>23,155,819</u>	<u>3,948,920</u>	<u>7,079,783</u>	<u>65,828,454</u>
Operating expenses						
Personal services	3,909,734	707,085	1,797,979	-	-	6,414,798
Materials & supplies	4,730,748	29,628	-	144,860	-	4,905,236
Depreciation & amortization	8,141,159	-	-	3,507,928	-	11,649,087
Other operating expenses	<u>1,803,926</u>	<u>7,069,404</u>	<u>25,950,833</u>	<u>-</u>	<u>6,685,093</u>	<u>41,509,256</u>
Total operating expenses	<u>18,585,567</u>	<u>7,806,117</u>	<u>27,748,812</u>	<u>3,652,788</u>	<u>6,685,093</u>	<u>64,478,377</u>
Operating income (loss)	<u>3,554,485</u>	<u>1,697,763</u>	<u>(4,592,993)</u>	<u>296,132</u>	<u>394,690</u>	<u>1,350,077</u>
Nonoperating revenue (expense)						
Investment income (loss)	3,198,124	1,881,994	1,157,950	1,516,193	32,104	7,786,365
Other revenues (expenses)	<u>654,774</u>	<u>99,030</u>	<u>2,808,397</u>	<u>8,889</u>	<u>-</u>	<u>3,571,090</u>
Total nonoperating revenue (expense)	<u>3,852,898</u>	<u>1,981,024</u>	<u>3,966,347</u>	<u>1,525,082</u>	<u>32,104</u>	<u>11,357,455</u>
Income (loss) before transfers and capital contributions	<u>7,407,383</u>	<u>3,678,787</u>	<u>(626,646)</u>	<u>1,821,214</u>	<u>426,794</u>	<u>12,707,532</u>
Transfers in	5,703,259	1,078,400	-	4,500,364	10	11,282,033
Transfers out	(6,545)	-	-	-	-	(6,545)
Capital contributions	<u>347,294</u>	<u>-</u>	<u>-</u>	<u>1,134,128</u>	<u>-</u>	<u>1,481,422</u>
Change in net position	<u>13,451,391</u>	<u>4,757,187</u>	<u>(626,646)</u>	<u>7,455,706</u>	<u>426,804</u>	<u>25,464,442</u>
Total net position, beginning	<u>108,249,504</u>	<u>21,970,435</u>	<u>22,030,398</u>	<u>42,334,020</u>	<u>5,149,463</u>	<u>199,733,820</u>
Total net position, ending	<u>\$ 121,700,895</u>	<u>\$ 26,727,622</u>	<u>\$ 21,403,752</u>	<u>\$ 49,789,726</u>	<u>\$ 5,576,267</u>	<u>\$ 225,198,262</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

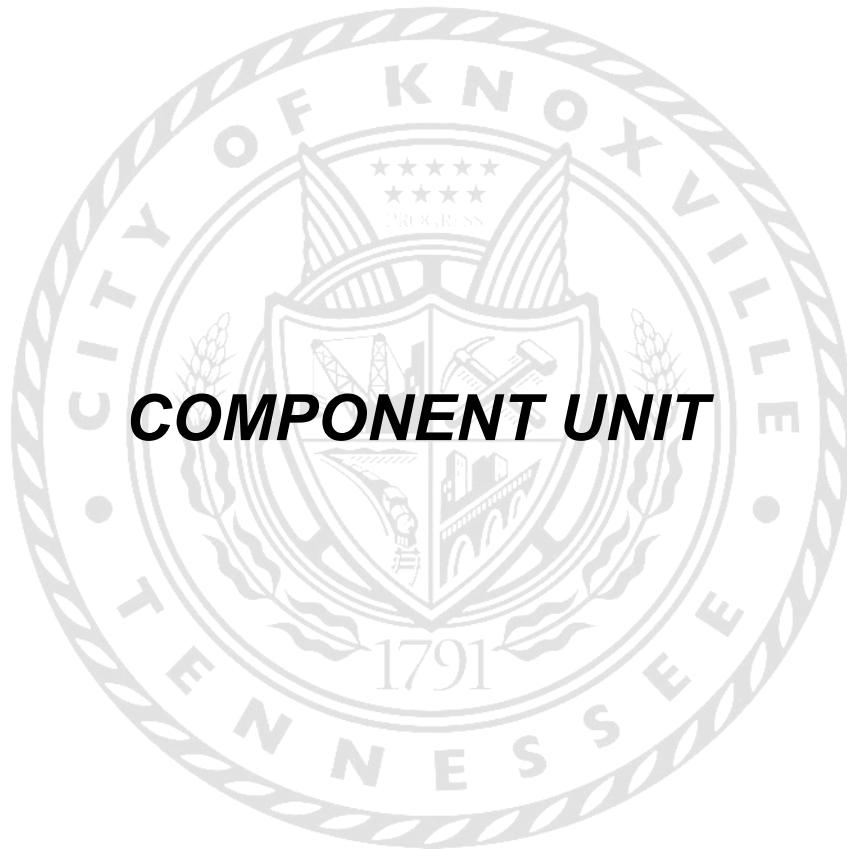
	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Operating activities						
Receipts from interfund services provided	\$ 22,129,831	\$ 9,183,950	\$ 23,188,887	\$ 3,948,920	\$ 7,525,466	\$ 65,977,054
Cash paid to suppliers	(6,482,580)	(7,099,032)	-	(144,860)	-	(13,726,472)
Cash paid to employees	(3,571,189)	(676,001)	(1,780,387)	-	-	(6,027,577)
Cash paid for interfund services used	-	(577,416)	104,001	-	(6,685,093)	(7,158,508)
Payments of claims and insurance	-	-	(26,435,792)	-	-	(26,435,792)
Net cash provided by (used in) operating activities	<u>12,076,062</u>	<u>831,501</u>	<u>(4,923,291)</u>	<u>3,804,060</u>	<u>840,373</u>	<u>12,628,705</u>
Noncapital financing activities						
Transfers from other funds	482,631	793,647	536,564	214,253	-	2,027,095
Transfers to other funds	(6,545)	-	-	-	10	(6,535)
Tax and intergovernmental revenues	<u>654,774</u>	<u>99,030</u>	<u>2,808,397</u>	<u>(5,520)</u>	<u>-</u>	<u>3,556,681</u>
Net cash provided by (used in) noncapital financing activities	<u>1,130,860</u>	<u>892,677</u>	<u>3,344,961</u>	<u>208,733</u>	<u>10</u>	<u>5,577,241</u>
Capital and related financing activities						
Acquisition and construction of capital assets	(14,258,150)	-	-	(4,616,844)	-	(18,874,994)
Capital contributions	<u>347,294</u>	<u>-</u>	<u>-</u>	<u>1,134,128</u>	<u>-</u>	<u>1,481,422</u>
Net cash provided by (used in) capital and related financing activities	<u>(13,910,856)</u>	<u>-</u>	<u>-</u>	<u>(3,482,716)</u>	<u>-</u>	<u>(17,393,572)</u>
Investing activities						
Sales of investments	-	-	-	-	-	-
Purchases of investments	(2,055,886)	(3,634,974)	(317,912)	(2,056,143)	(461,909)	(8,526,824)
Investment earnings	3,198,124	1,881,994	1,157,950	1,516,193	32,104	7,786,365
Net change in equity investment in joint venture	-	-	-	-	(562,973)	(562,973)
Net cash provided by (used in) investing activities	<u>1,142,238</u>	<u>(1,752,980)</u>	<u>840,038</u>	<u>(539,950)</u>	<u>(992,778)</u>	<u>(1,303,432)</u>
Net increase (decrease) in cash and cash equivalents	<u>438,304</u>	<u>(28,802)</u>	<u>(738,292)</u>	<u>(9,873)</u>	<u>(152,395)</u>	<u>(491,058)</u>
Cash and cash equivalents						
Beginning of year	<u>2,208,865</u>	<u>158,238</u>	<u>1,633,765</u>	<u>9,973</u>	<u>3,015,176</u>	<u>7,026,017</u>
End of year	<u>\$ 2,647,169</u>	<u>\$ 129,436</u>	<u>\$ 895,473</u>	<u>\$ 100</u>	<u>\$ 2,862,781</u>	<u>\$ 6,534,959</u>

CITY OF KNOXVILLE, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - Continued
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>City Buildings</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 3,554,485	\$ 1,697,763	\$ (4,592,993)	\$ 296,132	\$ 394,690	\$ 1,350,077
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	8,141,159	-	-	3,507,928	-	11,649,087
Pension expense (income)	196,158	37,390	17,592	-	-	251,140
Change in assets and liabilities						
(Increase) decrease in receivables	(10,221)	(319,930)	33,068	-	445,683	148,600
(Increase) decrease in inventories	(128,642)	-	-	-	-	(128,642)
Increase (decrease) in accounts payable	180,736	(577,416)	104,001	-	-	(292,679)
Increase (decrease) in accrued expenses	142,387	(6,306)	32,152	-	-	168,233
claims	-	-	(517,111)	-	-	(517,111)
Total adjustments	<u>8,521,577</u>	<u>(866,262)</u>	<u>(330,298)</u>	<u>3,507,928</u>	<u>445,683</u>	<u>11,278,628</u>
Net cash provided by (used in) operating activities	<u>\$ 12,076,062</u>	<u>\$ 831,501</u>	<u>\$ (4,923,291)</u>	<u>\$ 3,804,060</u>	<u>\$ 840,373</u>	<u>\$ 12,628,705</u>

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COMPONENT UNIT

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF NET POSITION

KNOXVILLE AREA TRANSIT - COMPONENT UNIT

JUNE 30, 2025

Assets

Current assets:

Cash & temporary investments	\$ 956,190
Investments	479,851
Accounts receivable	23,783,698
Inventories	<u>2,054,571</u>
Total current assets	<u>27,274,310</u>

Noncurrent assets:

Land and site improvements	2,199,236
Buildings and improvements	35,105,334
Equipment, furniture and fixtures	60,047,675
Infrastructure and site improvements	557,914
Construction in progress	11,471,923
Less: accumulated depreciation	<u>(59,616,882)</u>
Total capital assets (net of accumulated depreciation)	<u>49,765,200</u>
Total assets	<u>77,039,510</u>

Liabilities

Current liabilities:

Accounts payable	3,157,235
Accrued liabilities	682,650
Due to primary government	<u>7,567,024</u>
Total liabilities	<u>11,406,909</u>

Deferred inflows of resources

Deferred revenue	<u>2,590,127</u>
Total deferred inflows of resources	<u>2,590,127</u>

Net position

Net investment in capital assets	49,765,200
Unrestricted	<u>13,277,274</u>
Total net position	<u>\$ 63,042,474</u>

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2025

Operating revenues

Charges for services	\$ 2,940,075
Total operating revenues	<u>2,940,075</u>

Operating expenses

Personal services	19,664,995
Materials & supplies	15,007,827
Depreciation & amortization	4,288,685
Other operating expenses	<u>6,394,206</u>
Total expenses	<u>45,355,713</u>

Operating loss	<u>(42,415,638)</u>
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Nonoperating revenue (expense)

Intergovernmental revenue	48,187,287
Other expense	<u>(272,088)</u>
Total nonoperating revenue (expense)	<u>47,915,199</u>

Change in net position	5,499,561
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Total net position, beginning	<u>57,542,913</u>
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Total net position, ending	<u><u>\$ 63,042,474</u></u>
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CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2025

Operating activities

Cash received from customers and users	\$ 2,940,075
Cash paid to suppliers	(19,017,800)
Cash paid to employees	<u>(19,691,236)</u>
Net cash used in operating activities	<u>(35,768,961)</u>

Noncapital financing activities

Tax and intergovernmental revenues	<u>39,143,748</u>
Net cash provided by noncapital financing activities	<u>39,143,748</u>

Capital and related financing activities

Acquisition of capital assets	<u>(10,267,118)</u>
Net cash used in capital and related financing activities	<u>(10,267,118)</u>

Investing activities

Sales/(purchases) of investments, net	<u>2,764,066</u>
Net cash provided by investing activities	<u>2,764,066</u>

Net increase in cash and cash equivalents

(4,128,265)

Cash and cash equivalents

Beginning of year 5,084,455

End of year \$ 956,190

CITY OF KNOXVILLE, TENNESSEE

STATEMENT OF CASH FLOWS - Continued
KNOXVILLE AREA TRANSIT - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2025

Reconciliation of operating loss

to net cash used in operating activities

Operating loss	\$ (42,415,638)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,288,685
Change in assets and liabilities	
Decrease in inventories	140,346
Increase in accounts payable	2,243,887
Decrease in accrued expenses	<u>(26,241)</u>
Total adjustments	<u>6,646,677</u>
 Net cash used in operating activities	 <u>\$ (35,768,961)</u>

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2025

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Outstanding 7/1/2023:	Issued During Period:	Paid and/or Matured During Period:	Refunded During Period:	Outstanding 6/30/2024:
Governmental Activities									
Bonds Payable (Through Debt Service Fund)									
General Obligation - Series 2018	\$ 14,625,000	3.0 % - 5.0%	6/19/2018	5/1/2028	\$ 6,455,000	\$ -	\$ 1,505,000	\$ -	\$ 4,950,000
General Obligation - Refunding Series 2021	81,380,000	3.0 % - 5.0%	2/23/2021	2/1/2041	65,035,000	-	4,850,000	-	60,185,000
General Obligation - Series 2021B	16,700,000	3.0 % - 5.0%	3/30/2022	5/1/2042	15,630,000	-	605,000	-	15,025,000
Total Bonds Payable (Through Debt Service Fund)	<u>\$ 112,705,000</u>				<u>\$ 87,120,000</u>	<u>\$ -</u>	<u>\$ 6,960,000</u>	<u>\$ -</u>	<u>\$ 80,160,000</u>
Note Payable (Through General Fund)	\$ 2,900,000	5%	6/15/2016	7/15/2035	\$ 2,050,000	\$ -	\$ 170,000	\$ -	\$ 1,880,000
Total Governmental Activities	<u>\$ 115,605,000</u>				<u>\$ 89,170,000</u>	<u>\$ -</u>	<u>\$ 7,130,000</u>	<u>\$ -</u>	<u>\$ 82,040,000</u>
Business Type Activities									
Bonds Payable (Through Knoxville Convention Center Fund)		Floating interest rate							
General Obligation - Refunding Series 2022	60,065,000	4%	9/1/2022	6/1/2032	\$ 60,065,000	\$ -	\$ 1,070,000	\$ -	\$ 58,995,000
General Obligation - Refunding Series 2021	21,005,000	3.0 % - 5.0%	2/23/2021	2/1/2041	3,520,000	-	3,520,000	-	-
Total Bonds Payable (Through Knoxville Convention Center Fund)	<u>\$ 81,070,000</u>				<u>\$ 63,585,000</u>	<u>\$ -</u>	<u>\$ 4,590,000</u>	<u>\$ -</u>	<u>\$ 58,995,000</u>
Total Business Type Activities	<u>\$ 81,070,000</u>				<u>\$ 63,585,000</u>	<u>\$ -</u>	<u>\$ 4,590,000</u>	<u>\$ -</u>	<u>\$ 58,995,000</u>

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

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Governmental Activities

For the Year Ended June 30,	\$14,625,000 General Obligation Bonds		81,380,000 General Obligation Refunding Bonds		\$16,700,000 General Obligation Bonds		\$2,900,000 Note Payable (Payable Through General Fund)		Total Governmental Activities	
	Series 2018, Dated 6/19/2018		Series 2021, Dated 2/23/2021		Series 2021B, Dated 3/30/2020					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025-2026	1,580,000	180,100	3,350,000	2,311,950	635,000	530,400	170,000	2,327	5,735,000	3,022,450
2026-2027	1,660,000	101,100	3,525,000	2,144,450	665,000	498,650	170,000	2,431	6,020,000	2,744,200
2027-2028	1,710,000	51,300	3,745,000	1,968,200	700,000	465,400	170,000	2,440	6,325,000	2,484,900
2028-2029	-	-	3,925,000	1,780,950	735,000	430,400	170,000	2,537	4,830,000	2,211,350
2029-2030	-	-	4,120,000	1,584,700	760,000	401,000	170,000	2,707	5,050,000	1,985,700
2030-2031	-	-	4,370,000	1,378,700	790,000	370,600	170,000	2,750	5,330,000	1,749,300
2031-2032	-	-	4,570,000	1,160,200	825,000	339,000	170,000	2,792	5,565,000	1,499,200
2032-2033	-	-	4,740,000	977,400	855,000	306,000	170,000	2,835	5,765,000	1,283,400
2033-2034	-	-	4,915,000	835,200	890,000	271,800	170,000	2,877	5,975,000	1,107,000
2034-2035	-	-	2,990,000	687,750	920,000	245,100	170,000	2,919	4,080,000	932,850
2035-2036	-	-	3,080,000	598,050	945,000	217,500	180,000	3,136	4,205,000	815,550
2036-2037	-	-	3,175,000	505,650	975,000	189,150	-	-	4,150,000	694,800
2037-2038	-	-	3,270,000	410,400	1,005,000	159,900	-	-	4,275,000	570,300
2038-2039	-	-	3,365,000	312,300	1,035,000	129,750	-	-	4,400,000	442,050
2039-2040	-	-	3,470,000	211,350	1,065,000	98,700	-	-	4,535,000	310,050
2040-2041	-	-	3,575,000	107,250	1,095,000	66,750	-	-	4,670,000	174,000
2041-2042	-	-	-	-	1,130,000	33,900	-	-	1,130,000	33,900
	<u>\$ 4,950,000</u>	<u>\$ 332,500</u>	<u>\$ 60,185,000</u>	<u>\$ 16,974,500</u>	<u>\$ 15,025,000</u>	<u>\$ 4,754,000</u>	<u>\$ 1,880,000</u>	<u>\$ 29,751</u>	<u>\$ 82,040,000</u>	<u>\$ 22,061,000</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Business-Type Activities

For the Year Ended June 30,	\$60,065,000 General Obligation Refunding Bonds Series 2022, Dated 9/1/2022		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2025-2026	\$ 7,475,000	\$ 2,359,800	\$ 7,475,000	\$ 2,359,800
2026-2027	7,775,000	2,060,800	7,775,000	2,060,800
2027-2028	8,085,000	1,749,800	8,085,000	1,749,800
2028-2029	8,405,000	1,426,400	8,405,000	1,426,400
2029-2030	8,740,000	1,090,200	8,740,000	1,090,200
2030-2031	9,080,000	740,600	9,080,000	740,600
2031-2032	9,435,000	377,400	9,435,000	377,400
	<u>\$ 58,995,000</u>	<u>\$ 9,805,000</u>	<u>\$ 58,995,000</u>	<u>\$ 9,805,000</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
JUNE 30, 2025

Description of Indebtedness	Original Amount of Issue:	Interest Rate:	Date of Issue:	Last Maturity Date:	Restated Outstanding 7/1/2024:	Issued During Period:	Paid and/or Matured During Period:	Outstanding 6/30/2025:
Governmental Activities								
LEASES PAYABLE								
Payable through General Fund								
Emporium Lease	3,020,698	2.50%	7/1/2021	6/30/2030	\$ 2,153,906	\$ -	\$ 318,368	\$ 1,835,538
Total Lease Payable	<u>\$ 3,020,698</u>				<u>\$ 2,153,906</u>	<u>\$ -</u>	<u>\$ 318,368</u>	<u>\$ 1,835,538</u>

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF LEASE REQUIREMENTS BY YEAR
JUNE 30, 2025

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	333,876	42,080	375,956
2027	349,925	33,550	383,475
2028	366,532	24,613	391,145
2029	383,715	15,253	398,968
2030-2034	401,490	5,458	406,948
Total	<u>\$ 1,835,538</u>	<u>\$ 120,954</u>	<u>\$ 1,956,492</u>

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

Fiscal Year Ended June 30,	Tax Year June 30,	Assessed Values	Direct Tax Rate	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Allowance	Outstanding
					Amount	% of Levy		Amount	% of Levy		
2016	2015	4,625,040	2.7257	125,854	120,707	95.91%	4,848	125,555	99.76%	(299)	-
2017	2016	4,670,931	2.7257	128,020	121,450	94.87%	6,255	127,705	99.75%	(315)	-
2018	2017	5,268,679	2.4638	130,264	123,792	95.03%	6,181	129,973	99.78%	(291)	-
2019	2018	5,265,279	2.4638	130,649	125,780	96.27%	4,516	130,296	99.73%	(353)	-
2020	2019	5,322,030	2.4638	131,124	124,047	94.60%	6,587	130,634	99.63%	(490)	-
2021	2020	5,389,055	2.4638	132,776	127,205	95.80%	5,058	132,263	99.61%	(513)	-
2022	2021	5,359,188	2.4638	132,040	127,436	96.51%	3,917	131,353	99.48%	(687)	-
2023	2022	7,628,597	2.1556	164,442	158,097	96.14%	5,096	163,193	99.24%	(1,249)	-
2024	2023	7,768,829	2.1556	167,465	161,971	96.72%	3,132	165,103	98.59%	(2,362)	-
2025	2024	7,702,533	2.1556	166,036	160,520	96.68%	-	160,520	96.68%	(1,116)	4,400

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF TRANSFERS
JUNE 30, 2025

Transfers From:														
	Governmental Activities										Business-type Activities		Internal Service Funds	
	General Fund	Debt Service	Capital Projects	State Street Aid	Abandoned Vehicles	City Inspections	City Court	Miscellaneous Special Revenue Funds	Storm Water	Solid Waste	Convention Center	Public Assembly Facilities	Fleet Maintenance	Risk Management
Transfers To:														Total
Primary Government:														
<i>Governmental Activities:</i>														
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,000	\$ 13,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	-	-	-	1,477,050	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	32,056,620	6,279,380	-	1,989,950	-	-	-	500,000	-	-	-	-	-	-
City Court	4,521	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Special Revenue Funds	363,019	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	3,790,850	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid Waste	9,576,796	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Business-type Activities:</i>														
Convention Center	6,257,980	-	-	-	-	-	-	-	-	-	-	-	-	-
Metro Parking	800,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Assembly Facilities	7,075,370	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Golf Courses	230,220	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Internal Service Funds:</i>														
Fleet Maintenance	5,027,000	-	564,539	-	104,680	-	-	-	7,040	-	-	-	-	-
Risk Management	1,078,400	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment Replacement	4,337,817	-	-	-	-	1,473	-	-	3,846	146,470	-	4,213	6,545	-
City Buildings	10	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 70,598,603</u>	<u>\$ 6,279,380</u>	<u>\$ 564,539</u>	<u>\$ 3,467,000</u>	<u>\$ 104,680</u>	<u>\$ 1,473</u>	<u>\$ 52,000</u>	<u>\$ 513,057</u>	<u>\$ 10,886</u>	<u>\$ 146,470</u>	<u>\$ -</u>	<u>\$ 4,213</u>	<u>\$ 6,545</u>	<u>\$ -</u>
														<u>\$ 81,748,846</u>

STATISTICAL SECTION

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

Contents Page

Financial Trends

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

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Revenue Capacity

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Debt Capacity

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Operating Information

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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Invested in capital assets, net of related debt	\$ 261,956	\$ 298,791	\$ 305,396	\$ 342,292	\$ 369,211	\$ 326,384	\$ 371,712	\$ 414,218	\$ 445,258	\$ 493,041
Restricted	15,759	12,817	11,984	12,630	13,245	14,068	18,272	18,824	20,613	19,583
Unrestricted	186,985	203,126	209,403	199,406	183,950	250,947	274,736	312,827	332,322	309,301
Total Governmental Activities Net Position	<u>\$ 464,700</u>	<u>\$ 514,734</u>	<u>\$ 526,783</u>	<u>\$ 554,328</u>	<u>\$ 566,406</u>	<u>\$ 591,399</u>	<u>\$ 664,720</u>	<u>\$ 745,869</u>	<u>\$ 798,193</u>	<u>\$ 821,925</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 31,484	\$ 35,332	\$ 37,202	\$ 54,237	\$ 61,932	\$ 62,967	\$ 61,691	\$ 60,906	\$ 60,916	\$ 61,249
Restricted	-	-	-	-	-	-	-	-	-	31,299
Unrestricted	48,363	51,795	70,336	67,766	70,608	71,926	79,229	89,095	105,908	93,134
Total Business-type Activities Net Position	<u>\$ 79,847</u>	<u>\$ 87,127</u>	<u>\$ 107,538</u>	<u>\$ 122,003</u>	<u>\$ 132,540</u>	<u>\$ 134,893</u>	<u>\$ 140,920</u>	<u>\$ 150,001</u>	<u>\$ 166,824</u>	<u>\$ 185,682</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 293,440	\$ 334,123	\$ 342,598	\$ 396,529	\$ 431,143	\$ 389,351	\$ 433,403	\$ 475,124	\$ 506,174	\$ 554,290
Restricted	15,759	12,817	11,984	12,630	13,245	14,068	18,272	18,824	20,613	50,882
Unrestricted	235,348	254,921	279,739	267,172	254,558	322,873	353,965	401,922	438,230	402,435
Total Primary Government Net Position	<u>\$ 544,547</u>	<u>\$ 601,861</u>	<u>\$ 634,321</u>	<u>\$ 676,331</u>	<u>\$ 698,946</u>	<u>\$ 726,292</u>	<u>\$ 805,640</u>	<u>\$ 895,870</u>	<u>\$ 965,017</u>	<u>\$1,007,607</u>

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities:										
General government	\$ 20,697	\$ 24,653	\$ 44,384	\$ 47,664	\$ 56,493	\$ 56,147	\$ 47,471	\$ 60,899	\$ 63,336	\$ 43,325
Public safety	95,864	100,752	95,748	98,472	109,806	112,691	99,880	129,522	142,684	160,058
Physical environment	51,100	54,041	53,452	53,906	55,246	56,076	56,689	61,674	74,148	83,074
Transportation	10,589	11,016	13,307	14,135	11,081	5,947	3,373	1,342	19,011	22,626
Economic Development	19,843	13,499	10,570	12,951	14,444	16,534	16,886	17,383	15,841	18,140
Parks & Recreation	9,586	9,936	11,474	11,799	12,979	12,490	13,285	14,460	15,290	18,100
Health & Sanitation	10,414	9,738	8,766	9,545	9,964	10,087	10,571	11,520	11,913	13,389
Interest on long-term debt	2,339	1,998	1,760	2,168	1,854	1,785	4,317	4,167	3,539	3,419
Total governmental activities expenses	<u>220,432</u>	<u>225,633</u>	<u>239,461</u>	<u>250,640</u>	<u>271,867</u>	<u>271,757</u>	<u>252,472</u>	<u>300,967</u>	<u>345,762</u>	<u>362,131</u>
Business-type Activities:										
Metro parking	2,372	3,475	5,364	4,087	5,231	4,788	4,220	4,348	4,690	5,543
Public assembly facilities	3,888	5,584	6,937	3,351	9,060	4,837	8,789	9,798	12,067	12,306
Knoxville Convention Center	16,909	17,735	19,549	18,482	19,402	14,968	17,013	22,701	23,674	23,981
Municipal Golf Courses	1,597	1,076	1,255	1,382	1,244	1,573	1,676	1,825	1,983	2,168
Total business-type activities	<u>24,766</u>	<u>27,870</u>	<u>33,105</u>	<u>27,302</u>	<u>34,937</u>	<u>26,166</u>	<u>31,698</u>	<u>38,672</u>	<u>42,414</u>	<u>43,998</u>
Total primary government	<u>\$ 245,198</u>	<u>\$ 253,503</u>	<u>\$ 272,566</u>	<u>\$ 277,942</u>	<u>\$ 306,804</u>	<u>\$ 297,923</u>	<u>\$ 284,170</u>	<u>\$ 339,639</u>	<u>\$ 388,176</u>	<u>\$ 406,129</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	\$ 1,726	\$ 1,259	\$ 1,228	\$ 1,298	\$ 975	\$ 1,145	\$ 1,246	\$ 1,645	\$ 918	\$ 912
Public safety	6,259	7,224	6,900	7,214	6,197	6,300	6,235	6,135	8,921	8,028
Physical environment	1,261	1,523	1,674	2,132	2,304	2,426	2,748	2,865	2,961	3,450
Transportation	630	406	443	484	347	354	406	433	442	608
Economic Development	172	408	144	283	99	522	5	11	-	22
Parks & recreation	642	669	754	735	472	402	583	675	761	810
Health & sanitation	33	40	36	38	47	51	61	35	18	8
Operating grants and contributions	7,893	9,103	6,632	5,754	5,915	8,332	8,653	31,504	15,040	17,981
Capital grants and contributions	11,573	14,262	7,608	7,852	8,406	14,262	7,037	7,651	22,809	4,344
Total governmental activities program revenues	<u>30,189</u>	<u>34,894</u>	<u>25,419</u>	<u>25,790</u>	<u>24,762</u>	<u>33,794</u>	<u>26,974</u>	<u>50,954</u>	<u>51,870</u>	<u>36,162</u>
Business-type Activities:										
Charges for Services:										
Metro parking	1,796	2,182	4,014	4,295	3,945	3,339	3,709	4,123	4,031	4,731
Public assembly facilities	1,630	2,993	3,579	3,658	2,788	1,237	4,850	5,057	6,850	6,288
Knoxville Convention Center	4,651	5,420	5,436	5,722	4,645	1,405	4,704	7,449	8,161	8,578
Municipal Golf Courses	1,048	1,043	982	956	1,110	1,469	1,569	1,671	1,793	1,854
Operating grants and contributions	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	500
Capital grants and contributions	-	-	-	-	-	-	-	-	1,039	2,701
Total business-type activities program revenues	<u>10,625</u>	<u>13,138</u>	<u>15,511</u>	<u>16,131</u>	<u>13,988</u>	<u>8,950</u>	<u>16,332</u>	<u>19,800</u>	<u>23,374</u>	<u>24,653</u>
Total primary government program revenues	<u>\$ 40,814</u>	<u>\$ 48,032</u>	<u>\$ 40,930</u>	<u>\$ 41,921</u>	<u>\$ 38,750</u>	<u>\$ 42,744</u>	<u>\$ 43,306</u>	<u>\$ 70,754</u>	<u>\$ 75,243</u>	<u>\$ 60,815</u>
Net expense:										
Governmental Activities	\$ 190,243	\$ 190,739	\$ 214,042	\$ 224,850	\$ 247,105	\$ 237,963	\$ 225,498	\$ 250,013	\$ 293,892	\$ 325,969
Business-type Activities	14,141	14,732	17,594	11,171	20,949	17,216	15,366	18,872	19,040	19,345
Total primary government net expense	<u>\$ 204,384</u>	<u>\$ 205,471</u>	<u>\$ 231,636</u>	<u>\$ 236,021</u>	<u>\$ 268,054</u>	<u>\$ 255,179</u>	<u>\$ 240,864</u>	<u>\$ 268,885</u>	<u>\$ 312,933</u>	<u>\$ 345,314</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes, interest and penalties	\$ 144,263	\$ 145,721	\$ 148,287	\$ 150,054	\$ 153,503	\$ 153,933	\$ 156,175	\$ 189,997	\$ 195,923	\$ 191,050
Intergovernmental revenues	76,727	74,157	77,633	72,959	73,257	85,534	114,046	97,186	100,218	103,845
Other taxes	21,986	22,159	23,153	23,752	25,425	26,442	29,341	31,242	31,519	32,516
Other revenue	8,440	4,866	7,470	13,913	13,383	3,908	4,598	31,141	37,961	36,649
Transfers	(7,191)	(6,129)	(19,855)	(8,284)	(6,386)	(6,861)	(10,854)	(18,404)	(13,889)	(14,359)
Total governmental activities	<u>244,225</u>	<u>240,774</u>	<u>236,688</u>	<u>252,394</u>	<u>259,182</u>	<u>262,956</u>	<u>293,306</u>	<u>331,162</u>	<u>351,732</u>	<u>349,701</u>
Business-type Activities:										
Intergovernmental revenues	7,042	6,983	9,779	8,087	17,685	7,879	1,107	5,500	6,760	7,173
Other taxes	6,903	6,756	7,009	7,195	6,101	4,315	8,408	10,390	10,345	11,950
Other revenue	829	2,143	1,363	2,070	1,314	612	1,023	3,720	4,869	4,721
Transfers	7,191	6,129	19,855	8,284	6,386	6,861	10,854	8,343	13,889	14,359
Total business-type activities	<u>21,965</u>	<u>22,011</u>	<u>38,006</u>	<u>25,636</u>	<u>31,486</u>	<u>19,567</u>	<u>21,392</u>	<u>27,952</u>	<u>35,862</u>	<u>38,203</u>
Total primary government	<u>266,190</u>	<u>262,785</u>	<u>274,694</u>	<u>278,030</u>	<u>290,668</u>	<u>282,523</u>	<u>314,698</u>	<u>359,113</u>	<u>387,595</u>	<u>387,903</u>
Changes in Net Position										
Governmental activities	\$ 53,982	\$ 50,035	\$ 22,646	\$ 27,544	\$ 12,077	\$ 24,993	\$ 67,808	\$ 81,148	\$ 57,840	\$ 23,732
Business-type activities	7,824	7,279	20,412	14,465	10,537	2,351	6,026	9,080	16,822	18,857
Total primary government	<u>\$ 61,806</u>	<u>\$ 57,314</u>	<u>\$ 43,058</u>	<u>\$ 42,009</u>	<u>\$ 22,614</u>	<u>\$ 27,344</u>	<u>\$ 73,834</u>	<u>\$ 90,228</u>	<u>\$ 74,662</u>	<u>\$ 42,589</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Reserved										
Unreserved										
Nonspendable	\$ 364	\$ 353	\$ 305	\$ 301	\$ 366	\$ 418	\$ 536	\$ 556	\$ 606	\$ 548
Restricted	-	-	-	-	-	-	1,546	1,598	1,623	571
Committed	42,650	48,086	45,875	46,396	47,191	51,468	63,294	68,445	74,015	70,128
Assigned	4,038	20,143	11,778	12,699	21,016	35,875	22,502	26,208	42,843	33,919
Unassigned	38,458	27,757	30,557	27,489	20,052	21,141	26,740	46,837	42,955	35,286
Total general fund	<u>\$ 85,510</u>	<u>\$ 96,339</u>	<u>\$ 88,515</u>	<u>\$ 86,885</u>	<u>\$ 88,625</u>	<u>\$ 108,902</u>	<u>\$ 114,618</u>	<u>\$143,644</u>	<u>\$162,042</u>	<u>\$140,452</u>
All other governmental funds										
Nonspendable/Restricted										
Unreserved, reported in:										
Special Revenue funds										
Debt Service funds										
Capital Projects funds										
Nonspendable	\$ 1,122	\$ 856	\$ 1,185	\$ 1,294	\$ 1,131	\$ 1,158	\$ 1,223	\$ 1,019	\$ 1,381	\$ 1,199
Restricted	24,592	12,193	11,361	12,006	12,622	13,841	16,102	16,589	18,317	18,339
Committed	150,342	133,869	172,508	157,838	146,152	202,795	205,155	209,132	218,009	209,552
Assigned	-	16,883	579	651	737	653	653	4,481	5,484	5,434
Unassigned	-	-	-	-	-	(433)	-	-	-	-
Total all other governmental funds	<u>\$ 176,056</u>	<u>\$ 163,801</u>	<u>\$ 185,633</u>	<u>\$ 171,789</u>	<u>\$ 160,642</u>	<u>\$ 218,014</u>	<u>\$ 223,133</u>	<u>\$231,220</u>	<u>\$243,190</u>	<u>\$234,524</u>

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes, assessments, interest & penalties	\$ 212,108	\$ 212,992	\$ 217,761	\$ 223,517	\$ 225,188	\$ 234,359	\$ 247,503	\$287,751	\$296,523	\$296,551
Licenses, permits & inspection charges	2,656	3,005	3,052	3,331	3,297	3,300	3,642	3,586	6,376	6,064
Intergovernmental revenue	48,074	45,811	43,520	34,889	35,970	49,044	64,455	63,164	65,863	50,062
Charges for services	6,118	6,728	5,013	5,548	6,305	5,919	5,191	7,139	6,345	6,890
Fines & forfeitures	3,147	3,010	4,190	4,156	3,056	2,738	2,794	2,964	2,739	2,341
Other	8,354	8,350	6,665	12,875	12,565	8,090	6,144	24,673	24,400	25,316
Total revenues	<u>280,457</u>	<u>279,896</u>	<u>280,201</u>	<u>284,316</u>	<u>286,381</u>	<u>303,450</u>	<u>329,729</u>	<u>389,278</u>	<u>402,246</u>	<u>387,224</u>
Expenditures										
Current:										
General government	17,308	17,189	35,610	37,487	55,933	63,232	70,150	49,274	54,659	57,572
Public safety	102,155	103,510	95,559	100,214	109,806	104,511	110,304	119,519	127,592	148,212
Physical environment	63,178	63,287	63,059	64,104	37,098	36,694	39,514	72,481	90,848	93,426
Parks & recreation	8,652	8,721	9,001	9,327	12,979	9,189	9,914	11,257	11,909	13,721
Economic development	22,549	16,902	13,052	15,535	14,444	15,018	17,875	19,262	17,543	17,969
Other	-	-	-	-	-	-	-	-	-	-
Capital Outlay	51,710	53,188	36,657	54,810	48,307	44,296	69,377	59,531	41,859	58,469
Debt Service:										
Principal	6,141	4,998	4,742	6,237	6,506	40,811	6,405	8,720	9,097	8,113
Interest	2,328	2,039	1,789	2,092	1,882	1,709	4,445	4,223	3,882	3,697
Total expenditures	<u>274,021</u>	<u>269,834</u>	<u>259,469</u>	<u>289,806</u>	<u>286,955</u>	<u>315,460</u>	<u>327,984</u>	<u>344,267</u>	<u>357,388</u>	<u>401,179</u>
Excess of revenues over expenditures	6,436	10,062	20,732	(5,490)	(574)	(12,010)	1,745	45,011	44,858	(13,955)
Other Financing Sources (Uses)										
SBITA proceeds	-	-	-	-	-	-	-	-	-	11,103
Lease proceeds	-	-	-	-	-	-	3,021	2,484	-	-
Net proceeds from issuance of debt	-	-	15,666	-	-	98,363	18,302	-	-	-
Retirement of debt	-	-	-	-	-	-	-	-	-	(1,769)
Transfers in	39,296	44,200	51,374	40,903	36,922	98,456	69,171	65,155	48,182	56,103
Transfers out	(48,827)	(55,688)	(73,764)	(50,887)	(45,755)	(107,159)	(81,403)	5	(62,672)	(81,738)
Total other financing sources (uses)	<u>(9,531)</u>	<u>(11,488)</u>	<u>(6,724)</u>	<u>(9,984)</u>	<u>(8,833)</u>	<u>89,660</u>	<u>9,091</u>	<u>67,644</u>	<u>(14,490)</u>	<u>(16,301)</u>
Net changes in fund balances	<u>\$ (3,095)</u>	<u>\$ (1,426)</u>	<u>\$ 14,008</u>	<u>\$ (15,474)</u>	<u>\$ (9,407)</u>	<u>\$ 77,650</u>	<u>\$ 10,836</u>	<u>\$ 112,655</u>	<u>\$ 30,368</u>	<u>\$ (30,256)</u>
Debt service as a percentage of noncapital	3.8%	3.2%	2.9%	3.5%	3.5%	15.7%	4.2%	4.5%	4.1%	3.4%

*2023 restated for KAT transfer of \$10M - shifted from a Transfer Out to the Physical environment expenditure line. This change did not impact fund balance.

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			Assessed Value as a Percentage of Actual Value
	Estimated Actual Value:					Assessed Taxable Value	Assessed		Assessed		Estimated Actual Value	Assessed Taxable Value	Direct Tax Rate	
	Commercial	Industrial	Residential & Farm	Exempt Properties	Total's		Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value				
2016	5,818,821	229,219	6,752,219	493,767	13,294,026	4,092,562	1,192,171	357,705	317,769	174,773	14,803,966	4,625,040	2.7257	31%
2017	5,889,689	220,653	6,802,982	511,324	13,424,648	4,112,628	1,291,255	387,395	310,743	170,908	15,026,646	4,670,931	2.7257	31%
2018	6,845,220	247,220	7,472,331	810,146	15,374,917	4,687,158	1,368,707	410,613	310,743	170,908	17,054,367	5,268,679	2.4638	31%
2019	6,853,561	240,152	7,571,877	960,215	15,625,805	4,701,376	1,437,430	400,870	296,424	163,033	17,359,659	5,265,279	2.4638	30%
2020	6,878,796	238,693	7,885,172	1,083,122	16,085,783	4,758,127	1,336,231	400,870	296,424	163,033	17,718,438	5,322,030	2.4638	30%
2021	6,916,742	346,420	8,024,733	1,138,626	16,426,521	4,838,702	1,358,492	407,699	259,370	142,654	18,044,383	5,389,055	2.4638	30%
2022	6,786,162	378,313	7,967,126	1,388,522	16,520,123	4,854,051	1,235,672	370,712	244,409	134,425	18,000,204	5,359,188	2.4638	30%
2023	9,745,953	587,950	11,644,018	2,052,004	24,029,925	7,000,919	1,524,262	457,279	309,816	170,399	25,864,003	7,628,597	2.1556	29%
2024	9,840,993	591,741	11,805,652	2,264,292	24,502,678	7,080,700	1,677,756	503,326	336,005	184,803	26,516,439	7,768,829	2.1556	29%
2025	9,913,331	572,489	11,923,504	2,375,120	24,784,444	7,133,238	1,412,289	423,687	264,742	145,608	26,461,475	7,702,533	2.1556	29%

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	
2016	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2017	2.1923	0.5334	2.7257	0.9700	0.4700	0.8800	2.3200	5.0457
2018	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2019	1.9817	0.4821	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2020	2.0117	0.4521	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2021	2.0117	0.4521	2.4638	0.9700	0.4700	0.8800	2.3200	4.7838
2022	2.2684	0.1954	2.4638	0.8900	0.4300	0.8000	2.1200	4.5838
2023	1.9986	0.1570	2.1556	0.8900	0.4300	0.8000	2.1200	4.2756
2024	1.9986	0.1570	2.1556	0.6524	0.3552	0.5464	1.5540	3.7096
2025	1.9986	0.1570	2.1556	0.6524	0.3552	0.5464	1.5540	3.7096

Data source: City's adopted budget

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

Taxpayer	Type of Business	2025			2016		
		Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value
Pilot Corp.	Oil	\$ 53,303	1	0.75%	\$ 21,924	8	0.54%
Fort Sanders Regional Medical Center	Medical Services	52,382	2	0.73%	28,105	7	0.69%
Sams / Walmart	Retail	51,937	3	0.73%	30,246	5	0.75%
West Town Mall	Retail	48,556	4	0.68%	34,280	2	0.85%
First American National Bank	Financial Services	46,347	5	0.65%			
Hart TC I-II LLC	Property Management	38,094	6	0.53%	29,327	6	0.72%
Kroger	Retail / Grocery	32,271	7	0.45%			
705 S 17th St	Property Management	26,042	8	0.37%			
AT&T Telecommunications	Telecommunications	24,969	9	0.35%	73,728	1	1.82%
Target Corporation	Retail	22,029	10	0.31%			
Comcast	Media	21,802		0.31%	17,591	9	0.43%
Scripps	Media	715		0.01%	31,402	4	0.78%
		<u>\$ 418,447</u>		<u>5.87%</u>	<u>\$ 266,603</u>		<u>6.58%</u>

Data Source is the City's Property Tax Office

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

Governmental Activities

Fiscal Year	General Obligation Bonds			Other Governmental Activities Debt			
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	HUD Section 108 Note	Lease Liability	SBITA Liability	Debt Participation Agreement
2016	60,239	4,520	64,759	825	-	-	-
2017	54,417	3,951	58,368	2,900	-	-	-
2018	64,299	4,422	68,721	2,900	-	-	-
2019	58,062	3,749	61,811	2,900	-	-	-
2020	51,556	3,076	54,632	2,730	-	-	-
2021	92,125	19,655	111,780	2,560	-	-	-
2022	102,695	17,931	120,626	2,390	2,746	-	-
2023	95,120	16,903	112,023	2,220	2,457	1,628	-
2024	87,120	15,874	102,994	2,050	2,154	834	-
2025	80,160	14,846	95,006	1,880	1,836	9,333	-

Business Type Activities

Fiscal Year	General Obligation Bonds			Other Business Type Activities Debt				% of	
	Principal Outstanding	Unamortized Premiums (Discounts)	Total General Obligation Debt	Golf Course Equipment Note	Lease Liability	SBITA Liability	Total Primary Government ⁽¹⁾	Personal Income ⁽²⁾	Per Capita ⁽²⁾
2016	110,706	1,211	111,917	-	-	-	177,501	4.13%	957.96
2017	105,548	1,075	106,623	-	-	-	167,891	3.74%	901.48
2018	100,190	939	101,129	-	-	-	172,750	3.73%	922.09
2019	94,633	803	95,436	-	-	-	160,147	3.46%	854.12
2020	88,794	667	89,461	-	-	-	146,823	2.95%	782.63
2021	75,600	3,022	78,622	-	-	-	192,962	3.82%	1,025.93
2022	75,600	2,235	77,835	-	-	-	203,597	3.65%	1,047.84
2023	69,795	2,118	71,913	-	-	-	190,241	3.27%	971.17
2024	63,585	1,999	65,584	-	-	-	173,616	2.79%	878.84
2025	58,995	1,882	60,877	-	-	-	168,932	2.72%	850.09

Note:

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

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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund		Percentage of Estimated Taxable Value of Property	Per Capita
		Total			
2014	166,049	46,833	119,216	2.65%	650.49
2015	180,795	49,746	131,049	2.86%	715.06
2016	170,120	50,252	119,868	2.59%	646.92
2017	159,965	50,707	109,258	2.34%	586.65
2018	164,490	50,772	113,718	2.16%	606.99
2019	152,695	53,178	99,517	1.89%	530.76
2020	140,350	57,229	83,121	1.56%	443.07
2021	173,100	66,077	107,023	1.99%	569.01
2022	178,295	63,970	114,325	2.13%	588.39
2023	164,915	56,905	108,010	1.42%	551.38
2024	150,705	51,796	98,909	1.27%	500.67
2025	139,155	51,553	87,602	1.14%	440.83

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>
2016	734,750	594,027	140,723	67,518	2.08
2017	771,636	624,645	146,991	71,785	2.05
2018	819,607	635,579	184,028	75,488	2.44
2019	822,016	640,130	181,886	80,625	2.26
2020	808,491	614,902	193,589	86,233	2.24
2021	823,128	611,352	211,776	88,313	2.40
2022	906,822	698,239	208,583	82,003	2.54
2023	981,641	784,803	196,838	86,821	2.27
2024	964,067	737,847	226,220	91,342	2.48
2025	1,075,326	795,049	280,277	93,878	2.99

**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>
2016	32,147	20,192	11,955	6,477	1.85
2017	33,240	21,329	11,911	6,799	1.75
2018	35,416	21,709	13,707	6,907	1.98
2019	39,944	23,615	16,329	7,104	2.30
2020	41,269	22,262	19,007	7,368	2.58
2021	40,128	20,772	19,356	2,342	8.26
2022	44,890	24,273	20,617	6,147	3.35
2023	55,044	28,120	26,924	6,091	4.42
2024	62,522	32,689	29,832	5,879	5.07
2025	66,573	37,618	28,956	9,930	2.92

CITY OF KNOXVILLE, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2025
(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	\$ 96,890	100.00%	\$ 96,890
Overlapping Debt:			
Knox County	445,971	38.89%	173,438
Knox County Schools	387,638	38.89%	150,752
Total Overlapping Debt	833,609		324,190
 Total Direct and Overlapping Debt	 \$ 930,499		 \$ 421,080

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 ⁽²⁾ (MSA)	Per Capita Income ⁽²⁾ (MSA)	Median Age ⁽¹⁾	Education Level - Population 25 & Over ⁽¹⁾				School Enrollment ⁽³⁾ (Knox County)	Average Unemployment Rate ⁽⁴⁾ (MSA)
					High School Graduate or higher	Some College, No Degree	Bachelor's Degree or higher	Master's or Professional Degree		
2015	185,312	34,562.3	41,134	33.1	88.9%	23.8%	29.2%	12.4%	60,308	5.2%
2016	186,238	35,726.5	42,139	32.4	88.7%	20.3%	35.1%	13.1%	60,372	4.5%
2017	187,344	37,313.0	43,539	31.9	89.2%	20.3%	34.1%	14.0%	59,198	3.5%
2018	187,514	39,926.8	45,883	33.3	89.8%	21.4%	30.3%	12.3%	60,116	3.3%
2019	187,610	42,237.8	48,406	34.2	89.4%	20.6%	32.9%	12.6%	61,545	3.2%
2020	190,740	45,680.3	51,776	32.9	89.8%	20.4%	33.5%	13.3%	59,053	6.2%
2021	192,657	50,967.0	57,057	33.6	89.9%	20.7%	35.2%	13.5%	60,327	3.7%
2022	195,871	52,879.2	58,239	32.5	91.3%	21.2%	32.7%	12.2%	58,873	3.1%
2023	198,175	57,292.1	62,167	33.7	88.8%	19.7%	35.6%	14.4%	58,879	3.4%
2024	198,708	59,583.8	64,902	33.4	90.1%	19.1%	37.3%	16.2%	58,838	3.3%
2025 ⁽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	2025			2015		
	Number of Employees (1)	Rank	Percentage of Total Area Employment	Number of Employees	Rank	Percentage of Total Area Employment
Covenant Health	11,963	1	2.64%	9,122	1	10.82%
The University of Tennessee, Knoxville	11,197	2	2.47%	7,066	2	8.38%
Knox County Schools	10,118	3	2.23%	6,550	3	7.77%
Y-12 National Security Complex	8,600	4	1.90%			
Wal-Mart Stores, Inc.	6,614	5	1.46%	5,776	4	6.85%
Oak Ridge National Laboratory	6,000	6	1.32%			
University of Tennessee Medical Center (UHS)	5,387	7	1.19%	4,061	5	4.82%
Clayton Homes, Inc.	5,047	8	1.11%			
DENSO Manufacturing Tennessee, Inc.	5,000	9	1.10%			
Roark Capital Group	4,608	10	1.02%			
K-VA-T Food				3,857	6	4.58%
Tennova Healthcare				3,124	7	3.71%
County of Knox				2,998	8	3.55%
City of Knoxville				2,864	9	3.40%
State of Tennessee, Regional Offices				3,528	10	3.33%

Total Knoxville MSA Laborforce (2) 453,001

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

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

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

Department	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	31.5	33.5	35.5	35.5	39.5	42.5	42.5	30.0	43	43
Finance	49.0	49.0	50.0	50.0	45.0	41.0	41.0	59.0	35	33
Employee Benefits & Risk Management	-	-	-	13.0	13.0	13.0	13.0	9.0	10	10
Information Systems	30.0	30.0	30.0	30.0	29.0	29.0	29.0	24.0	25	25
Public Works	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0	0
Engineering	92.5	92.5	92.0	92.0	93.0	94.0	95.0	89.0	88	92
Fleet Services	54.0	54.0	54.0	54.0	55.0	54.0	54.0	51.0	52	51
Inspections	29.0	40.0	40.0	40.0	39.0	40.0	41.0	34.0	33	33
Emergency Management	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0	5	5
Public Services	305.0	292.0	292.0	292.0	292.0	291.0	291.0	273.0	268	268
Community Development	21.5	21.5	20.0	20.0	20.0	21.0	21.0	17.0	17	16
Recreation	52.0	51.0	51.0	51.0	50.0	50.0	50.0	50.0	47	41
Law	21.0	21.0	21.0	13.0	13.0	13.0	13.0	13.0	13	13
Police										
Sworn	416.0	416.0	416.0	416.0	416.0	416.0	416.0	375.0	361	418
Civilian	109.0	109.0	109.0	105.0	105.0	107.0	107.0	139.0	148	102
Subtotal	<u>525.0</u>	<u>525.0</u>	<u>525.0</u>	<u>521.0</u>	<u>521.0</u>	<u>523.0</u>	<u>523.0</u>	<u>514.0</u>	<u>509</u>	<u>520</u>
Fire										
Sworn	327.0	327.0	327.0	327.0	327.0	327.0	327.0	326.0	312	312
Civilian	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.0	11	11
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>335.0</u>	<u>323</u>	<u>323</u>
Legislative	7.5	7.5	8.0	8.0	7.5	7.5	7.5	9.0	12	12
City Court	14.5	14.5	14.0	14.0	14.5	14.5	14.5	10.0	11	10
Civil Service	10.0	10.0	10.0	10.0	10.0	6.0	6.0	6.0	6	6
Human Resources	-	-	-	-	-	6.0	6.0	8.0	9	8
Public Assembly Facilities	34.5	-	-	-	-	-	-	-	-	-
GRAND TOTAL	<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>	<u>1,588.5</u>	<u>1,589.5</u>	<u>1,536.0</u>	<u>1,506</u>	<u>1,509</u>

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

Department	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Public Safety										
Police										
Arrests	12,453	10,604	10,691	10,425	8,558	8,230	9,951	8,149	8,311	7,552
Citations	68,374	49,585	45,462	54,577	38,217	22,916	17,824	25,254	21,975	14,477
Fire										
Fire Inspections	3,162	3,366	3,438	2,707	2,264	1,526	2,039	2,175	1,912	2,042
Alarms Attended	22,346	21,647	14,107	25,166	24,110	21,184	28,083	31,562	29,143	25,648
First Responder Calls	10,307	9,573	10,623	10,613	7,242	7,997	14,572	14,529	15,334	14,503
Engineering										
Miles of Streets Resurfaced	40	59	50	58	38	24	26	49	34	42
Parks & Recreation										
Recreation Center Participants	480,993	496,683	440,977	417,903	290,231	166,953	169,476	197,125	209,459	197,170
Service										
Pothole Repairs	197	480	945	1,102	621	797	3,087	4,140	4,774	5,597

Sources: Various city departments

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

Department	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Public Safety										
Public Safety Building	1	1	1	1	1	1	1	1	1	1
Fire Halls	19	19	19	19	19	19	19	19	19	19
Operations & Engineering										
Street Lights	30,250	30,299	30,314	30,159	29,757	28,574	28,607	28,612	28,612	28,615
Miles of Streets Maintained	1,179	1,175	1,175	1,174	1,174	1,174	1,174	1,174	1,174	1,174
Parks & Recreation										
Miles of Greenway	86	113	113	113	113	113	119	129	129	129
Park Acreage	2,828	3,102	3,102	3,102	3,102	3,138	2,266	2,329	2,330	2,330
Parks	81	93	94	94	94	95	93	97	98	98
Park Shelters	13	13	13	13	13	13	13	13	13	20
Ballfields										74
Swimming Pools	5	5	5	5	5	5	5	5	5	5
Tennis Courts	47	45	45	45	45	45	45	46	46	46
Pickleball Courts	10	10	10	10	10	10	10	10	10	16
Golf Courses	3	3	3	3	3	3	3	3	3	3
Recreation Centers	14	16	16	18	18	18	18	16	16	16
Other Buildings	-	-	-	-	-	-	-	11	11	13
Metro Parking										
Parking Garages	5	5	6	6	6	6	5	7	9	9
Parking Lots	9	9	10	10	11	11	11	15	18	21
Total Spaces	4,688	4,673	5,515	6,151	6,066	5,804	5,822	7,374	8,777	9,146
Fleet										
Garages	2	2	2	2	2	2	2	2	2	4
Vehicles Maintained	1,562	1,510	1,524	1,532	1,561	1,509	1,570	1,575	1,611	1,644

Sources: Various City Departments



COMPLIANCE SECTION

CITY OF KNOXVILLE, TENNESSEE
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2025

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CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Agriculture	FEDERAL ASSISTANCE				
<u>Direct assistance</u>					
	USDA Composting and Waste Reduction Act	10.935 NR233A750005C004		\$ 26,612	\$ -
		10.935		26,612	-
	Full Circle Community Invasive Species Control	10.727 23-DG-11083147-500		30,841	-
		10.727		30,841	-
Total U.S. Department of Agriculture				57,453	-
U.S. Department of Housing and Urban Development					
<u>Direct assistance</u>					
CDBG Cluster	Community Development Block Grant 2021	14.218 B-21-MC-47-0005		98,086	-
	Community Development Block Grant 2022	14.218 B-22-MC-47-0005		79,471	-
	Community Development Block Grant 2023	14.218 B-23-MC-47-0005		104,488	82,068
	Community Development Block Grant 2024	14.218 B-24-MC-47-0005		1,410,307	847,952
	Community Development Block Grant 2024 Program Income	14.218 B-24-MC-47-0005		140,182	133,273
	Community Development Block Grant Coronavirus Funding	14.218 B-20-MW-47-0005		15,964	11,964
	Community Development Block Grant/Section 108	14.218 B-15-MC-47-0005		231,773	-
Total CDBG Cluster		14.218		2,080,271	1,075,257
	Emergency Solutions Grant 2023	14.231 E-23-MC-47-0005		13,607	13,607
	Emergency Solutions Grant 2024	14.231 E-24-MC-47-0005		125,054	114,083
		14.231		138,661	127,690
<u>Direct assistance</u>	Home Investment Partnerships Program 2020	14.239 M-20-MC-47-0201		5,940	-
	Home Investment Partnerships Program 2021	14.239 M-21-MC-47-0201		318,112	-
	Home Investment Partnerships Program 2021 Program Income	14.239 M-21-MC-47-0201		145,812	-
	Home Investment Partnerships Program 2022	14.239 M-22-MC-47-0201		622,960	-
	Home Investment Partnerships Program 2022 Program Income	14.239 M-22-MC-47-0201		179,745	-
	Home Investment Partnerships Program 2023	14.239 M-23-MC-47-0201		176,549	-
	Home Investment Partnerships Program 2023 Program Income	14.239 M-23-MC-47-0201		2,068	-
	Home Investment Partnerships Program 2024	14.239 M-24-MC-47-0201		162,198	-
	Home Investment Partnerships Program 2024 Program Income	14.239 M-24-MC-47-0201		63,458	-
	Home Investment Partnerships Program - ARPA	14.239 M-21-MP-47-0201		2,636,106	-
		14.239		4,312,948	-
	Youth Homelessness Demonstration Program	14.276 TN0441Y4J022200		13,195	13,195
	24/25 Youth Homelessness Demonstration Grant	14.276 TN0471-474Y4J022200		20,457	20,457
		14.276		33,652	33,652
	Continuum of Care Program 2023	14.267 TN0422L4J022200		30,964	-
		14.267		30,964	-
	Lead Hazard Control Grant	14.905 THLHD0529-24		11,424	-
		14.900		11,424	-
Total U.S. Department of Housing and Urban Development				6,607,920	1,236,599

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Justice					
<u>Direct assistance</u>					
	2021 Kevin and Avonte Program	16.015	15PBJA-21-GG-02970-MAPX	3,582	-
		<u>16.015</u>		<u>3,582</u>	<u>-</u>
	2021 Law Enforcement Mental Health and Wellness Act	16.710	15JCOPS-21-GG-02170-SLEM	17,477	-
	2023 Law Enforcement Mental Health and Wellness Act	16.710	15JCOPS-23-GG-01824-LEMH	97,607	-
	2022 COPS School Violence Prevention Program	16.710	15JCOPS-22-GG-04256-SCAX	55,034	-
	2021 De-Escalation Grant	16.710	15JCOPS-21-GG-02437-SPPS	196,651	-
	2022 De-Escalation Grant	16.710	15JCOPS-22-GG-04820-PPSE	125,648	-
	2023 De-Escalation Grant	16.710	15JCOPS-23-GG-02526-PPSE	15,000	-
		<u>16.710</u>		<u>507,417</u>	<u>-</u>
	2020 JAG/Byrne Grant	16.738	2020-DJ-BX-0764	11,703	-
	2021 JAG/Byrne Grant	16.738	15PBJA-21-GG-01850-JAGX	90,750	-
	2023 JAG/Byrne Grant	16.738	15PBJA-23-GG-03794-JAGX	68,660	-
		<u>16.738</u>		<u>171,113</u>	<u>-</u>
	Equitable Sharing Program/MLARS	16.922		93,094	-
		<u>16.922</u>		<u>93,094</u>	<u>-</u>
<u>Passed through from</u>					
State of Tennessee Department of Finance and Administration:					
Office of Juvenile Justice & Delinquency Prevention	2022 Federal ICAC Task Force	16.543	15PJDP-22-GK-04882-MECP	6,621	-
Office of Juvenile Justice & Delinquency Prevention	2023 Federal ICAC Extension	16.543	15PJDP-22-GK-04882-MECP	309,927	-
	2024 Federal ICAC Extension	16.543	15PJDP-22-GK-04882-MECP	397,285	-
		<u>16.543</u>		<u>713,833</u>	<u>-</u>
Office of Criminal Justice Programs	2020 VOCA - Law Enforcement Victim Coordinator	16.575	2020-V2-GX-0012; Edison ID 41637	14,514	-
		<u>16.575</u>		<u>14,514</u>	<u>-</u>
Office of Criminal Justice Programs	2021 Project Safe Neighborhood Eastern District	16.609	15PBJA21GG03063GUNP	47,522	-
Office of Criminal Justice Programs	2022 Project Safe Neighborhood Eastern District	16.609	15PBJA22GG00830GUNP	48,015	-
		<u>16.609</u>		<u>95,537</u>	<u>-</u>
Total U.S. Department of Justice				<u>1,599,090</u>	<u>-</u>
U.S. Department of Transportation					
<u>Direct assistance</u>					
	FFY2022 5305 Areas of Persistent Poverty Planning Assistance	20.505		128,719	-
		<u>20.505</u>		<u>128,719</u>	<u>-</u>
Federal Transit Cluster					
	FY19 Local Surface Transportation Block Grant Program	20.507	TN-2020-004	150,686	-
	CMAQ Funding for Electric Bus Overhead In-Route Charging Infrastructure	20.507	TN-2022-030-00	83,201	-
	FY22 CMAQ FlexFunding for Electric Buses and Charging Infrastructure	20.507	TN-2023-011-00	2,589,420	-
	FY2022 Formula Grant (5307)	20.507	TN-2023-021-00	203,699	-
	FY2023 Formula Grant (5307)	20.507	Grant number pending	445,156	-
	FY2024 Formula Grant (5307)	20.507	Grant number pending	2,132,033	-
		<u>20.507</u>		<u>5,604,195</u>	<u>-</u>
	FFY 2018 5339 Capital Grant	20.526	TN-2019-006-00	49,158	-
	FY19 5339 Grant for Capital Projects	20.526	TN-2019-033-00	50,095	-
	FY20 5339 Grant for Capital Projects	20.526	TN-2020-035-01	242,973	-
	FY21 5339 Capital Projects	20.526	TN-2021-039-00	320,076	-
	FY22 5339 Grant for Capital Projects	20.526	TN-2023-009-00	207,048	-
	FY 2022 5339(c) Low or No Emission Bus Flex	20.526	TN-2023-012-00	4,660,274	-
		<u>20.526</u>		<u>5,529,624</u>	<u>-</u>
Total Federal Transit Cluster				<u>11,133,819</u>	<u>-</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
<u>Passed through from</u>					
Federal Highway Administration Office of Safety	FY23 Safe Streets and Roads for All ("SS4A") Grant Program,	20.939 693JJ32440678		27,235	-
		<u>20.939</u>		<u>27,235</u>	<u>-</u>
Tennessee Department of Transportation	Middlebrook Pike ATMS	20.205 CM-169(17) State 190013		54,433	-
Tennessee Department of Transportation	CMAQ funding - Chapman Highway Portion of the ATMS	20.205 CM-9109(172); State 140161		12,588	-
Tennessee Department of Transportation	CMAQ funding - Citywide Portion of the ATMS	20.205 CM-9109(172); State 140161		45,050	-
Tennessee Department of Transportation	Broadway Transit Signal Priority (Broadway Bus Corridor/ATMS)	20.205 CM-9109(177) State 170023		311,541	-
Tennessee Department of Transportation	UT ATMS	20.205 CM-9109(186) State 200095		75,545	-
Tennessee Department of Transportation	Blount-Sevier Corridor Improvements/South Waterfront	20.205 STP-EN-9109(173); State 130166; PIN109677.00		1,164,982	-
Tennessee Department of Transportation	Widening of Pleasant Ridge Road	20.205 STP-M-9109(53)		7,537	-
Tennessee Department of Transportation	Magnolia Phase 3 - North Bertrand to North Kyle Street	20.205 STP-M-1(421); State 200316; PIN129559.01		69,909	-
Tennessee Department of Transportation	Advanced Traffic Management System - Traffic Control Upgrade	20.205 STP-M-9109(165); State 140161; PIN 120004.00		259,292	-
Tennessee Department of Transportation	Washington Pike and Millertown Pike Widening	20.205 STP-M-9109(64) State 070099		292,839	-
Tennessee Department of Transportation	First Creek Greenway-Broadway Streetscapes	20.205 TAP/STP-M-9109(179); State 170054; PIN 125623.00		84,690	-
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		24,982	-
Tennessee Department of Transportation	East Knox Greenway, From Willow Avenue to the Knoxville Botanical Gardens	20.205 STP-M-9109(184); State 190092		118,268	-
Tennessee Department of Transportation	South Knoxville Bridge Greenway	20.205 PIN 132924.00; 47LPLM-S3-215		39,523	-
	Woodland Ave Complete Streets	20.205 STP-M-9109(192); State 210013		35,261	-
Total Highway Planning and Construction		<u>20.205</u>		<u>2,596,440</u>	<u>-</u>
Highway Safety Cluster					
Tennessee Highway Safety Office	FY24 THSO Safe Communities Grant	20.600 Z24THS154/69A3752330000402TN0		16,887	-
		<u>20.600</u>		<u>16,887</u>	<u>-</u>
Tennessee Highway Safety Office	FY24 Pedestrian Safety Grant	20.616 Z24THS381; Edison ID 78557		21,434	-
	FY25 Pedestrian Safety Grant	20.616 Z25THS401; Edison ID 83668		14,643	-
		<u>20.616</u>		<u>36,077</u>	<u>-</u>
Total Highway Safety Cluster				<u>52,964</u>	<u>-</u>
Tennessee Highway Safety Office	FY24 THSO Community-Based Traffic Safety Enforcement and Education	20.607 Z24THS153/Edison ID 78563(PT)		26,253	-
	FY25 THSO Community-Based Traffic Safety Enforcement and Education	20.607 Z25THS163/Edison ID 83664(PT)		162,928	-
		<u>20.607</u>		<u>189,181</u>	<u>-</u>
Total U.S. Department of Transportation				<u>14,128,358</u>	<u>-</u>
U.S. Department of Treasury					
<u>Direct assistance</u>					
	Equitable Sharing/TEOAF	21.016		5,926	-
		<u>21.016</u>		<u>5,926</u>	<u>-</u>
	Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act	21.027		5,703,002	7,500
<u>Passed through from</u>					
<u>Tennessee Department of Environment and Conservation</u>	Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act	21.027		3,533,630	-
		<u>21.027</u>		<u>9,236,632</u>	<u>7,500</u>
Total U.S. Department of Treasury				<u>9,242,558</u>	<u>7,500</u>
U.S. Environmental Protection Agency					
<u>Direct assistance</u>					
	Climate Pollution Reduction Grant	66.046 02D56823		500,814	-
		<u>66.046</u>		<u>500,814</u>	<u>-</u>
Total U.S. Environmental Protection Agency				<u>500,814</u>	<u>-</u>
U.S. Office of National Drug Control Policy					
<u>Passed through from</u>					
Financial Commission for Appalachia HIDTA	2024 High Intensity Drug Trafficking Areas Program	95.001 G24AP0001A		34,255	-
Financial Commission for Appalachia HIDTA	2025 High Intensity Drug Trafficking Areas Program	95.001 G25AP0001A		47,836	-
		<u>95.001</u>		<u>82,091</u>	<u>-</u>
Total U.S. Office of National Drug Control Policy				<u>82,091</u>	<u>-</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor Agency	Program Title	Assistance Listing Number	Grant #	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Homeland Security					
Passed through from Tennessee Emergency Management Agency	2022 Emergency Management Performance Grant	97.042	EMA-2022-EP-00003-S01; Edison ID 78036-46082	143,390	-
		<u>97.042</u>		<u>143,390</u>	<u>-</u>
Passed through from Passed through Knox County	2023 DOE Pass-Through Funding for Off-Site Emergency Planning and Response	81.214	DE-SC0019506/0012; 34101-29224	8,027	-
				<u>8,027</u>	<u>-</u>
Passed through Knox County	2022 Homeland Security Grant	97.067	23-343/EMW-2022-SS-00053-S01	18,406	-
Passed through Knox County	2023 Homeland Security Grant	97.067	81547/EMW-2023-SS-00032-S01	3,593	-
		<u>97.067</u>		<u>21,999</u>	<u>-</u>
Tennessee Department of Finance and Administration	FY22 State and Local Cybersecurity Grant Program	97.137	EMW-2022-CY-00063-S01/31701-03	69,191	-
		<u>97.137</u>		<u>69,191</u>	<u>-</u>
Total U.S. Department of Homeland Security				<u>242,607</u>	<u>-</u>
Total Federal Assistance				<u>\$ 32,460,891</u>	<u>\$ 1,244,099</u>
STATE ASSISTANCE					
Criminal Justice Program	FY22 State ICAC Appropriation	31701-64013; Edison 69812		\$ 85,538	\$ -
Criminal Justice Program	Violent Crime Intervention Fund (VCIF) Formula Grant	Pending		1,232,027	-
Criminal Justice Program	Violent Crime Intervention Fund (VCIF) Competitive Grant	Edison ID # 50363		1,126,011	-
Criminal Justice Program	Statewide School Resource Officer (SRO) Grant	34901-01482		450,000	-
Tennessee Dept of Environment & Conservation	2024 Household Hazardous Waste Grant	32701-04717		17,676	-
Tennessee Department of Finance and Administration	Local Government Recovery and Rebuilding Grant			56,839	-
Tennessee Department of Finance and Administration	State of Tennessee - Ped Bridge			10,000,000	10,000,000
Tennessee Department of Disability & Aging	Senior Center Grant			4,413	-
US Department of Health & Human Services	Ambulance Equipment Purchases	GE-25-309743-00; Edison 309743		94,541	-
Tennessee Department of Transportation	State Portion of FY 2018 5339 Capital Grant	GG-19-62688		6,145	-
Tennessee Department of Transportation	State Portion of FY19 5339 Grant	GG-20-65175		6,262	-
Tennessee Department of Transportation	FY19 Local Surface Transportation Block Grant Program	GG-21-68531		18,835	-
Tennessee Department of Transportation	State Portion of the FY20 5339 Grant	GG-21-69085		30,275	-
Tennessee Department of Transportation	State Portion of FY 2022 5339 Capital Projects	Z-23-BP00-08		25,881	-
Tennessee Department of Transportation	State Portion of FY2022 Formula Grant	Grant number pending		25,462	-
Tennessee Department of Transportation	State Portion of FY2023 Formula Grant	Grant number pending		55,635	-
Tennessee Department of Transportation	State Portion of FY2024 Formula Grant	Grant number pending		266,505	-
Tennessee Department of Transportation	State Portion of FY21 5339 Capital Projects	Z-22-BP00-004		40,010	-
Tennessee Department of Transportation	FY22 IMPROVE Act Capital Assistance	GG-22-69711-00; Edison 69711		255,951	-
Tennessee Department of Transportation	FY23 IMPROVE Act Capital Assistance	GG-23-77817-00; Edison 77817		214,215	-
Tennessee Department of Transportation	State portion of CMAQ Funding for Electric Bus Overhead In-Route Charging Infrastructure	GG-23-76560		10,400	-
Tennessee Department of Transportation	State Portion of FY 2022 5339(c) Low or No Emission Bus Flex	GG-24-79843		582,534	-
Tennessee Department of Transportation	State Portion of FY22 CMAQ FlexFunding for Electric Buses and Charging Infrastructure	GG-24-79886		323,678	-
Tennessee Department of Transportation	FFY2022 5305 Areas of Persistent Poverty Planning Assistance	GG-24-83122		16,090	-
Tennessee Department of Transportation	FY23 State Operating Grant (UROP)	47-UROP-S3-020		3,810,600	-
Tennessee Department of Transportation	Fountain City Sidewalk	State 240102; PIN 135197.00		18,411	-
Tennessee Department of Transportation	Chapman Highway Multimodal Grant	47LPLM-S3-166; State 190020; PIN 128590.00		21,796	-
Tennessee Department of Transportation	TDOT Utility Relocation Reimbursement	Contract 9433 PIN 124437.00		14,833	-
Total State Assistance				<u>\$ 18,810,563</u>	<u>\$ 10,000,000</u>
Total Federal and State Assistance				<u>\$ 51,271,454</u>	<u>\$ 11,244,099</u>

See independent auditor's report.

CITY OF KNOXVILLE, TENNESSEE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2025**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of the City of Knoxville, Tennessee (the "City") for the year ended June 30, 2025. 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 awards and state financial assistance. 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, 2025.

<u>Cluster / Program Title</u>	<u>Assistance Listing Number</u>	<u>FY 25 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grants	14.218	\$ 11,250	\$ 2,675,151
Empowerment Zone	14.244	-	75,987
HOME Investment Partnerships Program	14.239	<u>1,638,267</u>	<u>9,678,640</u>
Total Loans		<u>\$1,649,517</u>	<u>\$12,429,778</u>

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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated, January 30, 2026. Our report includes a reference to other auditors who audited the financial statements of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority, which are reported as component units of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002 and 2025-003 that we consider to be material weaknesses.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002 and 2025-003.

City of Knoxville, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Crosslin, PLLC

Nashville, Tennessee
January 30, 2026



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Knoxville, Tennessee's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Knoxville's major federal programs for the year ended June 30, 2025. 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 \$22,827,253 in federal awards which are not included in the City's schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2025. Our audit, described below, did not include the operations of the Knoxville Utilities Board and the Metropolitan Knoxville Airport Authority because these component units engage other auditors to perform an audit in accordance with the Uniform Guidance.

In our opinion, Knoxville, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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



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

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

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

Crosslin, PLLC

Nashville, Tennessee
January 30, 2026

CITY OF KNOXVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

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? x yes no
Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? x yes 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, 2025 are:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
21.507, 20526	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$11,133,821

Auditee qualified as low-risk auditee? x yes no

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2025**

II. Findings related to the audit of the financial statements of the City of Knoxville

ITEM #2025-001

Cash Reconciliation Errors

Criteria, Condition, Context, Cause and Effect

In accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), the City is required to maintain accurate and complete accounting records supported by effective internal controls, including timely cash reconciliations. During the audit, it was identified that cash balances within the book-to-cash process were not adequately reconciled, resulting from insufficient reconciliation procedures and review controls. Consequently, cash balances were misstated prior to audit adjustments, requiring an adjusting journal entry to properly state cash and related accounts and reducing the reliability of the City's financial reporting.

Recommendation

The City should strengthen review and follow-up controls over the cash reconciliation process to ensure reconciliation errors are properly identified and corrected. Management should also formalize procedures for reviewing reconciliations and resolving identified discrepancies, and ensure staff are adequately trained to support compliance with GASB requirements and enhance the reliability of financial reporting.

Views of Responsible Officials and Planned Corrective Actions

See Management's Corrective Action Plan.

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

ITEM #2025-002

Noncompliance with City Grant Eligibility Requirements

Criteria, Condition, Context, Cause and Effect

In accordance with the City's grant program guidelines and internal control standards, grant awards should be approved only after applicants have demonstrated eligibility and provided complete supporting documentation. During the audit, it was identified that the City awarded grant funds to certain organizations that did not meet one or more established eligibility requirements at the time of approval, due to insufficient verification and documentation review procedures. As a result, grant funds may have been awarded to ineligible recipients, increasing the risk of noncompliance with program requirements and reducing assurance that public funds were awarded in accordance with the City's established grant objectives.

Recommendation

We recommend the City strengthen internal controls over its grant award process by implementing formalized eligibility verification procedures, requiring complete documentation prior to approval, and ensuring that grant applications are reviewed and approved in accordance with established program guidelines.

CITY OF KNOXVILLE, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2025**

Views of Responsible Officials and Planned Corrective Actions

See Management's Corrective Action Plan.

ITEM #2025-003

Management Override of Procurement Controls

Criteria, Condition, Context, Cause and Effect

City procurement policies and internal control standards require that contracts be reviewed and approved through established procurement channels to ensure compliance, transparency, and accountability. During the audit, it was identified that a contract was executed by an individual in management without undergoing the required procurement and approval process through City Council, representing a management override of established controls. As a result, the City increased its risk of noncompliance with procurement requirements, unauthorized contractual obligations, and diminished oversight over the use of public funds.

Recommendation

The City should reinforce adherence to procurement policies by requiring all contracts, regardless of signatory authority, to follow established procurement and approval procedures. Management should also provide training to elected officials and staff and implement monitoring controls to prevent and detect future instances of management override.

Views of Responsible Officials and Planned Corrective Actions

See Management's Corrective Action Plan.

CITY OF KNOXVILLE, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

None reported

Financial Awards Findings and Questioned Costs

None reported.

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

None reported



THE CITY OF KNOXVILLE, TENNESSEE

Management's Corrective Action Plan

#2025-001 - Cash Reconciliation Errors

Corrective Action

The City performs a monthly bank reconciliation to the General Ledger.

Finance has performed a review of prior reconciliations and determined a lack of understanding by staff regarding the posting of items from the subledger to the general ledger which resulted in the misstatement of cash. As a result of the review, we have implemented additional controls to have the cash reconciliation reviewed by senior staff and management. Additionally, staff are receiving increased training in GASB requirements for financial reporting.

#2025-002 - Noncompliance with City Grant Eligibility Requirements

Corrective Action

The Finance Department is meeting with all of the departments that award public funds to non-profits to review and formalize their process for approving and awarding grants. This includes a review of their verification of state and federal eligibility requirements of non-profits to receive public funds and their documentation review procedures. Additionally, the Finance Department will not disburse public funds to non-profits until a 2nd verification of compliance with State and Federal eligibility requirements is completed.

#2025-003 - Management Override of Procurement Controls

Corrective Action

The Purchasing Agent and Chief Financial Officer have agreed that no contract or agreement for services will proceed unless the City's Procurement Policies and Procedures have been followed and that City Council approval has been acquired when the contract/agreement reaches the City's \$25,000 threshold requiring Council approval. Moreover, Finance management is now meeting on a recurring basis to review contracts that are 60 days or closer to expiration to ensure said contracts do not lapse (unless expiration is desired by the City) and that they are properly approved by Council and fully executed before the pending expiration dates.

Anticipated
Completion Date June 30, 2026

Name of Contact
City of Knoxville

A handwritten signature in black ink, appearing to read "Kittrin Smith", is written over a horizontal line.

Kittrin Smith, Deputy Director of Finance
(865)407-6988