

OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Standard & Poor's: "AA"
(See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$6,175,000 **CITY OF MARYVILLE, TENNESSEE** **General Obligation Refunding Bonds, Series 2016B**

Dated: May 25, 2016

Due: June 1 (as indicated below)

The \$6,175,000 General Obligation Refunding Bonds, Series 2016B (the "Bonds") shall be issued by the City of Maryville, Tennessee (the "City") as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City have been irrevocably pledged.

Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

<u>Maturity</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPS **</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPS **</u>
2017	\$ 30,000	3.00%	0.60%	574531 SK6	2023	\$ 530,000	2.00%	1.20%	c 574531 SR1
2018	275,000	3.00	0.70	574531 SL4	2024	280,000	2.00	1.32	c 574531 SS9
2019	1,090,000	3.00	0.80	574531 SM2	2025	280,000	2.00	1.45	c 574531 ST7
2020	1,120,000	3.00	0.90	574531 SN0	2026	290,000	2.00	1.60	c 574531 SU4
2021	1,160,000	3.00	1.00	574531 SP5	2027	305,000	2.00	1.75	c 574531 SV2
2022	510,000	2.00	1.10	c 574531 SQ3	2028	305,000	2.00	1.85	c 574531 SW0

c = Yield to call on June 1, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the City by Kizer & Black, Attorneys, PLLC, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about May 25, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

April 27, 2016

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF MARYVILLE, TENNESSEE

OFFICIALS

Honorable Thomas W. Taylor	<i>Mayor</i>
Greg McClain	<i>City Manager</i>
Deborah P. Caughron	<i>City Recorder</i>
Kristine Tallent	<i>Director of Management and Budget</i>
David T. Black, Esq.	<i>City Attorney</i>

COUNCIL MEMBERS

Andy White, Vice Mayor
Joe Swann
Tommy Hunt
Fred Metz

UNDERWRITER

Wells Fargo Bank, National Association
Charlotte, North Carolina

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SECURITIES OFFERED	
Authority and Purpose	1
Refunding Plan.....	1
Description of the Bonds.....	1
Security.....	2
Qualified Tax-Exempt Obligations.....	2
Optional Redemption	3
Notice of Redemption	3
BASIC DOCUMENTATION	
Registration Agent	4
Book-Entry-Only System.....	4
Discontinuance of Book-Entry-Only System.....	6
Disposition of Bond Proceeds.....	7
Discharge and Satisfaction of Bonds	7
Remedies of Bondholders	8
LEGAL MATTERS	
Litigation	9
Tax Matters	
<i>Federal</i>	9
<i>State Taxes</i>	11
Changes in Federal and State Tax Law	11
Closing Certificates.....	11
Approval of Legal Proceedings	12
MISCELLANEOUS	
Ratings.....	13
Competitive Public Sale.....	13
Financial Advisor; Related Parties; Other	13
Debt Record	14
Additional Debt.....	14
Continuing Disclosure.....	14
<i>Five-Year History Filing</i>	15
<i>Content of Annual Report</i>	15
<i>Reporting of Significant Events</i>	16
<i>Termination of Reporting Obligation</i>	17
<i>Amendment; Waiver</i>	17
<i>Default</i>	18
Additional Information	18
CERTIFICATION OF ISSUER	19

APPENDIX A: FORM OF LEGAL OPINION

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

Location B-1
General..... B-1
Government B-2
Transportation..... B-2
Education B-5
Healthcare..... B-6
Manufacturing and Commerce B-7
 Major Employers in the County B-9
Employment Information B-10
Economic Data B-11
Recreation..... B-11
Recent Developments..... B-12

DEBT STRUCTURE

Summary of Bonded Indebtedness B-16
Indebtedness and Debt Ratios B-17
Debt Service Requirements - General Obligation B-19
Debt Service Requirements – Water and Sewer..... B-20
Debt Service Requirements – Electric B-21

FINANCIAL OPERATIONS

Introduction..... B-22
Basis of Accounting and Presentation B-22
Budgetary Process B-22
Fund Balances and Retained Earnings..... B-23
Five-Year Summary of Revenues, Expenditures and
 Changes in Fund Balance – General Fund B-24
Five-Year Summary of Revenues, Expenditures and
 Changes in Fund Balance – Water And Sewer Fund B-25
Five-Year Summary of Revenues, Expenditures and
 Changes in Fund Balance – Electric Fund B-26
Investment and Cash Management Practices B-27
Real Property Assessment, Tax Levy and Collection Procedures
 State Taxation of Property B-27
 County Taxation of Property..... B-28
 Assessment of Property B-29
 Periodic Reappraisal and Equalization..... B-30
 Valuation for Property Tax Purposes B-30
 Certified Tax Rate B-30
 Tax Freeze for the Elderly Homeowners B-31
 Tax Collection and Tax Lien..... B-31
 Assessed Valuations B-32
 Property Tax Rates and Collections B-32
 Ten Largest Taxpayers..... B-33
Local Option Sales Tax B-34
Pension Plans B-34

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS – THE CITY OF MARYVILLE, TENNESSEE

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

- IssuerCity of Maryville, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
- The Bonds.....\$6,175,000 General Obligation Refunding Bonds, Series 2016B (the “Bonds”).
- Security.....The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City have been irrevocably pledged. That portion of the principal amount of the Bonds (and interest with respect thereto) that is used to refinance Outstanding Debt that financed or refinanced improvements to the City's electric system shall be additionally payable from, but not secured by, revenues to be derived from the operation of such electric system, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the electric system and to any pledges of such revenues in favor of obligations secured by revenues of the electric system. That portion of the principal amount of the Bonds (and interest with respect thereto) that is used to refinance Outstanding Debt that financed or refinanced improvements to the City's water and sewer system shall be additionally payable from, but not secured by, revenues to be derived from the operation of such water and sewer system, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system and to any pledges of such revenues in favor of obligations secured by revenues of the water and sewer system.
- PurposeThe Bonds are being issued for the purpose of refinancing, in whole or in part, (i) the City's outstanding debt evidenced by the Series B-17-A Loan Agreement, by and between the City and The Public Building Authority of Blount County, Tennessee, dated as of June 20, 2008, maturing June 1, 2019 and thereafter; (ii) the City's outstanding Water and Sewer Revenue and Tax Bonds, Series 2008B, dated as of June 10, 2008, maturing June 1, 2019 and thereafter; (iii) the City's outstanding Electric System Revenue Bonds, Series 2007, dated May 17, 2007 maturing June 1, 2018 and thereafter; (iv) a portion of the City's outstanding General Obligation Bonds, Series 2008C, dated December 18, 2008 matures in the following amounts: \$365,000 of the June 1, 2019 maturity, \$380,000 of the June 1, 2020 maturity and all \$400,000 of the June 1, 2021 maturity and (v) the payment of legal, fiscal, administrative costs incident to the indebtedness described herein.
- Optional RedemptionThe Bonds are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
- Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS- Tax Matters” and APPENDIX A (form of opinion) included herein.
- Bank QualificationThe Bonds have been designated or deemed designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of

1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.

- Rating.....Standard & Poor’s: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information.
- Registration and Paying AgentRegions Bank, Nashville, Tennessee (the “Registration Agent”).
- Bond CounselBass, Berry & Sims PLC, Knoxville, Tennessee.
- Financial AdvisorCumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parities; Others”, herein.
- Underwriter.....Wells Fargo Bank, National Association, Charlotte, North Carolina.
- Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book–Entry-Only System”.
- GeneralThe Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
- DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, the City will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”
- Other Information.....The information in the OFFICIAL STATEMENT is deemed “final” within the meaning of such Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover. For more information concerning the City, or the OFFICIAL STATEMENT, contact Ms. Kristine Tallent, Director of Management and Budget, 404 W. Broadway Avenue, Maryville, Tennessee 37801, Telephone: (865) 273-3401; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
(In Thousands)
For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Fund Balance	\$5,110,799	\$6,069,123	\$6,578,428	\$6,996,507	\$7,794,799
Revenues	30,772,565	31,695,429	31,655,646	32,795,350	35,669,557
Expenditures	18,860,681	17,786,742	18,018,092	18,544,532	20,350,479
Other Financing Sources:					
Transfers In	1,382,880	1,411,107	1,449,365	1,472,437	1,492,314
Transfers Out	(13,409,575)	(14,810,489)	(14,555,707)	(14,811,830)	(15,772,694)
Bond/Note/Lease Proceeds	918,996	-	(113,133)	(113,133)	(113,133)
Adjustments	154,139	-	-	-	-
Ending Fund Balance	<u>\$6,069,123</u>	<u>\$6,578,428</u>	<u>\$6,996,507</u>	<u>\$7,794,799</u>	<u>\$8,720,364</u>

Source: Comprehensive Annual Financial Reports of the City of Maryville, Tennessee.

\$6,175,000
CITY OF MARYVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2016B

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Maryville, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$6,175,000 General Obligation Refunding Bonds, Series 2016B (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to a resolution (the “Resolution”) adopted by the City Council (the “Council”) on April 5, 2016.

The Bonds are being issued for the purpose of refinancing, in whole or in part, (i) the City’s Outstanding Debt, as described below, and (ii) the payment of legal, fiscal, administrative costs incident to the indebtedness described herein.

REFUNDING PLAN

The City is proposing to refinance: (i) the City’s outstanding debt evidenced by the Series B-17-A Loan Agreement, by and between the City and The Public Building Authority of Blount County, Tennessee, dated as of June 20, 2008, maturing June 1, 2019 and thereafter (the “Series B-17-A Bonds”); (ii) the City’s outstanding Water and Sewer Revenue and Tax Bonds, Series 2008B, dated as of June 10, 2008, maturing June 1, 2019 and thereafter (the “Series 2008B Bonds”); (iii) the City’s outstanding Electric System Revenue Bonds, Series 2007, dated May 17, 2007 maturing June 1, 2018 and thereafter (the “Series 2007 Bonds”); and (iv) a portion of the City’s outstanding General Obligation Bonds, Series 2008C, dated December 18, 2008, being specifically \$365,000 of the June 1, 2019 refunded maturity, \$380,000 of the June 1, 2020 refunded maturity and all \$400,000 of the June 1, 2021 maturity (the “Series 2008C Bonds”, together with the Series B-17-A Bonds, Series 2008B Bonds and the Series 2007 Bonds, the “Outstanding Bonds” or “Outstanding Debt”).

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) relating to the refunding of the Outstanding Debt was submitted to the Director of the Office of State and Local Finance for review.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance May 25, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in registered book-entry form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City have been irrevocably pledged. That portion of the principal amount of the Bonds (and interest with respect thereto) that is used to refinance Outstanding Debt that financed or refinanced improvements to the City's electric system shall be additionally payable from, but not secured by, revenues to be derived from the operation of such electric system, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the electric system and to any pledges of such revenues in favor of obligations secured by revenues of the electric system. That portion of the principal amount of the Bonds (and interest with respect thereto) that is used to refinance Outstanding Debt that financed or refinanced improvements to the City's water and sewer system shall be additionally payable from, but not secured by, revenues to be derived from the operation of such water and sewer system, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system and to any pledges of such revenues in favor of obligations secured by revenues of the water and sewer system.

The City through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The tax required to be levied as described above may be reduced to the extent of any direct appropriations from other funds, taxes and revenues of the Municipality's Water and Wastewater System or Electric System.

The Bonds will not be obligations of the State of Tennessee.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2022, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository, if applicable, or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book Entry Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a

wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect

Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

- (a) A portion of the proceeds from the sale of the Bonds shall be used to pay costs of issuance, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.
- (b) The remainder of the proceeds from the sale of the Bonds, together with such other City funds as may be identified by the Mayor and, if applicable, investment earnings on the foregoing, shall be applied to the refunding of the Outstanding Debt.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or
3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the City shall pay and discharge the indebtedness

evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code")
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "Proposed Legislation and Other Matters" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and

incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

Standard & Poor's Ratings Services ("Standard & Poor's") has given the Bonds the rating of "AA".

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Standard & Poor's and any explanation of the significance of such rating should be obtained from Standard & Poor's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on April 27, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 14, 2016.

The successful bidder for the Bonds was an account led by Wells Fargo Bank, National Association, Charlotte, North Carolina (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$6,502,479.05 (consisting of the par amount of the Bonds, plus a reoffering premium of \$361,441.55 less an underwriter's discount of \$33,962.50) or 105.303304% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt. However, the City has ongoing needs and may or may not issue additional debt in the future.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City and the Electric System by not

later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2015 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. In the past five years, the City has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 574531 which is the base CUSIP Number for the City; however, the City inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the City was an obligated person. The City has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number. While it is believed that all appropriate filings were made with respect to the ratings of City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-16;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-17 and B-18;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-19;
4. Information about the Bonded Debt Service Requirements –Water and Sewer Debt Service Fund as of the end of such fiscal year as shown on page B-20;
5. Information about the Bonded Debt Service Requirements – Electric Debt Service Fund as of the end of such fiscal year as shown on page B-21;

6. The fund balances and retained earnings for the fiscal year as shown on page B-23;
7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-24;
8. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer Fund for the fiscal year as shown on page B-25;
9. Summary of Revenues, Expenditures and Changes in Fund Balances - Electric Fund for the fiscal year as shown on page B-26;
9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-32;
10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-32; and
11. The ten largest taxpayers as shown on page B-33.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;

- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-.

CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Thomas Taylor
City Mayor

ATTEST:

/s/ Deborah Caughron
City Recorder

FORM OF LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Maryville, Tennessee (the "Issuer") of the \$6,175,000 General Obligation Refunding Bonds, Series 2016B (the "Bonds") dated May 25, 2016. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole

proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Maryville (the “City”) is the county seat of Blount County (the "County") which is located in the eastern portion of the State of Tennessee. The County is bordered to the east by Sevier County and to the north by Knox County. To the south, the County is bordered by Monroe County and the State of North Carolina. To the west of the County is Loudon County, Tennessee. Other incorporated towns within the County are Alcoa, Rockford, Friendsville and Townsend. Vonore is an unincorporated town that is in both Blount County and Monroe County. The City is located approximately 15 miles south of Knoxville.

The County is in the extreme eastern portion of Tennessee. Bordering the Great Smoky Mountains National Park, the immediate surrounding terrain is hilly and mountainous while much of the county is covered with rolling farmlands. Blount County is situated near the geographic center of the eastern United States with approximately 50 percent of the U.S. population within a 500-mile radius. The County benefits from being a gateway to the Great Smoky Mountains National Park. The scenic and recreational attractions of the park attract an ever increasing number of tourists to the County yearly.

Maryville is also situated at the southern boundary of the Oak Ridge Technology corridor, a nationally recognized high-technology research and development center. Additionally, Maryville is located about four miles from the Pellissippi Parkway extension, which makes the city residents within a 10 to 20 minute drive to the West Knoxville - Oak Ridge area.

GENERAL

The County covers 559 square miles (52.4% of which is devoted to agriculture) in the extreme eastern portion of Tennessee. Major crops include tobacco, strawberries, crimson clover, sheep, cattle, dairy and truck farming.

The County is part of the Knoxville Metropolitan Statistical Area (the “MSA”) that had a population of 693,826 according to the 2010 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Loudon (Loudon), and Union (Maynardville) Counties.

The County is also part of the Knoxville-Morristown-Sevierville Combined Statistical Area (the “CSA”). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The County has a Census 2010 population of approximately 123,010. The population of Maryville as counted in the 2010 Census was 27,465.

GOVERNMENT

The City is governed by a five (5) member City Council a portion of which is elected every two (2) years to overlapping four (4) year terms of office. The Mayor is the presiding officer and the ceremonial head of the City. An appointed City Manager serves as the full time administrator.

The City provides a full range of municipal services contemplated by its Charter. Those services include public safety (police and fire); highways and streets; special events; land use planning and code enforcement; and waste collection and disposal. The City also funds joint service delivery efforts with neighboring jurisdictions including the public library, parks and recreation and industrial recruitment.

TRANSPORTATION

The area has excellent transportation facilities by rail, air, river and highway. Both the Norfolk Southern and CSX Railroads have terminals and stops in the County, with lines radiating in nine directions. The Pellissippi Highway (I-140) provides a direct link to I-40 and I-75 in Knox County. Major highways serving the County include U.S. Highway 44, 129, 321, 411 and 441 as well as State Routes 33, 75 and 95.

McGhee Tyson Airport. The McGhee Tyson Airport is the principal commercial airport in East Tennessee, serving the commercial airline industry, air cargo, military aviation and general aviation. With parallel 9,000 foot runways, McGhee Tyson Airport can accommodate any size aircraft. The Airport is located within the city limits of Alcoa 12 miles south of downtown Knoxville. The airport occupies more than 2,000 acres of land with space for additional air cargo facilities or economic development. This facility is owned and managed by the Metropolitan Knoxville Airport Authority. About 2,700 people work at the airport.

According to a 2012 study by the University of Tennessee's Center for Transportation Research, the airport contributes over \$616 million to the local economy (including Anderson, Blount, Knox, Loudon and Sevier Counties) every year. The report examined the employment, business and tax impacts of the airport, including the Downtown Island Airport.

The Metropolitan Knoxville Airport Authority (MKAA) was established in 1978 as an independent nonprofit agency to own and operate McGhee Tyson Airport and Downtown Island Airport. The Authority's nine-member Board of Commissioners is appointed by the Mayor of Knoxville and confirmed by City Council. This board determines the policies for the current Airport Authority staff of 150 employees in six departments. The board appoints a President who serves as the chief administrator and executive officer. All of the revenues are generated by user fees and rental income so no taxpayer dollars are used to support airport operations.

Five air cargo services provide daily service. In addition, six passenger airlines carry air cargo on most flights. More than 80,000,000 pounds of airfreight annually pass through its cargo facilities. Federal Express, United Parcel Service and DHL are the main couriers.

McGhee Tyson Airport has several major airlines serving 20 non-stop destinations including Atlanta, Chicago, Dallas/Ft. Worth, Denver, Houston, Myrtle Beach, New York, Orlando, Philadelphia and Washington D.C. With more than 120 arrivals and departures each day and more than 4,000 seats available, McGhee Tyson Airport is one of the most convenient and accessible regional airports in the nation.

The airport is served by several low fare carriers: Allegiant Air and Frontier Airlines. Allegiant Travel Company is focused on linking travelers in small cities to world-class leisure destinations such as Las Vegas, NV, Myrtle Beach, NC, Orlando, Fla., Ft. Lauderdale, Fla., Sarasota/Fort Meyers, Fla. and Tampa/St. Petersburg, Fla. Through its subsidiary, Allegiant Air, the Company operates a low-cost, high-efficiency, all-jet passenger airline offering air travel both on a stand-alone basis and bundled with hotel rooms, rental cars and other travel related services. Frontier Airlines started flight in the summer of 2011 from Knoxville to its hub in Denver, Colorado and to Chicago, Illinois, Provo, Utah and Sioux Falls, South Dakota.

McGhee Tyson is served by major and regional carriers including:

Major Airlines:

Regional Carriers:

Allegiant Air
Delta Airlines

Frontier Airlines

American Eagle

United Express

Source: Metropolitan Knoxville Airport Authority.

These airlines connect passengers with service to several hub airports across the nation on more than 120 flights daily.

McGhee Tyson Airport

<u>Total Year</u>	<u>Commercial Passengers</u>	<u>Total Air Cargo in Pounds</u>
2006	1,674,877	92,219,596
2007	1,821,581	100,286,989
2008	1,742,579	97,366,366
2009	1,680,716	82,304,377
2010	1,688,882	93,393,658
2011	1,773,671	92,390,849
2012	1,747,145	91,514,071
2013	1,676,374	84,029,942
2014	1,738,133	74,115,672
2015	1,774,081	45,449,380

Source: Metropolitan Knoxville Airport Authority.

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McGhee Tyson Airport has undergone many improvements in the past few years:

- 2008 West Aviation Area \$50.7 million
- 2008 Airport Rescue and Fire Fighting Facility \$11.3 million
- 2009 New Food Court in Terminal \$615,000
- 2014 Runway and Taxiway System Upgrade \$108 million

Source: Metropolitan Knoxville Airport Authority.

TACAir is McGhee Tyson Airport's general aviation services provider. In addition to providing fuel and services to commercial carriers, they also accommodate the general aviation industry, which includes corporate aviation, charter flights, flight schools and people who fly as a hobby.

The Tennessee Air National Guard's 134th Air Refueling Group operates 10 aircraft at McGhee Tyson Airport. The Guard's KC-135E tankers provide refueling to the country's military aircraft. In addition, the Army Aviation Support Facility, the 110th and 119th Tactical Control Squadrons and the 228th Combat Communications Squadron operate on the base.

The direct and indirect economic impact of McGhee Tyson Airport, including payroll, local spending, transportation cost savings, capital spending and induced benefits is estimated at \$1 billion annually. The jobs formed by the aviation industry are perhaps the most important direct benefit that McGhee Tyson Airport offers East Tennessee. Approximately 2,700 people are now employed at McGhee Tyson Airport.

Downtown Island Home Airport. Knoxville's Downtown Island Home Airport, located five minutes from downtown, serves as another home base for smaller and privately owned airplanes. The Island Home Airport is a 150 acre general aviation facility with a 3,500 foot runway. It is home to more than 100 private and corporate aircraft, with 24 hour a day service available. Construction of three additional private aircraft hangars was completed in 2008. Future projects include a taxiway for new T-Hangars, secondary containment for the fuel depot and mobile fueling equipment and a planning study for future development. These projects are to be funded with a combination of federal grant funds, state grant funds and Airport Authority revenues.

Waterways. Fifteen miles away is the head of the Tennessee River navigation channel in Knoxville. This river is part of the Interconnected Inland Water System that links Knoxville with 21 states, the Mississippi River and the Great Lakes. Linkages may be made to the entire inland waterway system, allowing shipments to be made by water to Houston, Tampa, Pittsburgh, Minneapolis and Little Rock.

Six active river terminals handle barge shipments throughout the area. The Tennessee-Tombigbee Waterway links East Tennessee with 13 other states and the Gulf of Mexico. This 234-mile canal connects 16,000 miles of waterways throughout Tennessee, Mississippi and Alabama leading to the Port of Mobile and the Gulf of Mexico. This Waterway shortens the shipping between Tennessee and the Gulf of Mexico by 882 miles and enables East Tennessee products to arrive at their Gulf destination from eight to nine days earlier. The development of the Tennessee-Tombigbee Waterway has been a catalyst for the development of industry and agriculture throughout the area.

Barge shipping has always been a popular alternative to rail in East Tennessee because of the existence of the Inland Water System.

Nearby Knoxville also has a Foreign Trade Zone, is an inland Port of Entry with a U.S. Customs Office. In 1988, Knoxville was given its Foreign Trade Zone designation by the U.S. Department of Commerce. This designation allows manufacturers to ship foreign raw materials and components to parts of Knoxville and store them duty free in Knoxville until used. In May 1991, the Foreign Trade Zone was activated.

EDUCATION

Maryville City Schools District is made up of about 16.2 square miles with seven schools: three elementary, two intermediate, one junior high school and one high school with 329 teachers. The fall 2014 enrollment was 5,131 students.

The County is also home to two other school systems: The *Blount County School System* is made up of 21 public schools: fourteen elementary schools, four middle schools, two senior high schools and one alternative education school. Fall 2014 enrollment for Blount County schools is about 11,252 with around 689 teachers total. The District's size is about 584 square miles. *Alcoa City Schools District* is made up of about 9 square miles with four schools: one elementary, one middle school, one intermediate school (under construction) and one high school with 110 teachers. The fall 2014 enrollment was about 1,943 students.

Source: Tennessee Department of Education and the City.

Also, there are several private schools that serve the area: Apostolic Christian Academy, Clayton-Bradley Academy, Foothills Christian Academy, New Horizon Montessori School, and Maryville Christian School. Moreover, the County has many opportunities for higher education. In addition to the following schools, the University of Tennessee Knoxville is located in nearby Knox County. It is the largest campus in the UT system.

Maryville College. The private, four-year, liberal arts college, located in Maryville, was founded in 1819 and is one of the fifty oldest institutions of higher learning in the United States. The college is co-educational and grants the degrees of Bachelor of Arts, Bachelor of Science and Bachelor of Music with fifty diverse fields of study. Fall 2015 enrollment is 1,213 students, and the college is situated on a 375 acre campus. Dual degree programs are available in the fields of engineering, pharmacy and veterinary medicine. A \$47 million Civic Arts Center was completed in 2010.

Source: Maryville College.

Pellissippi State Technical Community College Blount County Center. The Blount County Center satellite campus has been housed at the former Bungalow Elementary School building since 1991. While that location served the needs of the college for many years, the institution has outgrown the aging facility. Currently, more than 700 students attend classes at the Blount County Center. Yet roughly 1,300 Pellissippi State students list the County as their residence. An expanded 39.5-acre facility allows more students to attend classes nearer to where they live. The \$22 million campus was completed in late 2010 in Blount County.

Since its founding in 1974 as State Technical Institute at Knoxville, Pellissippi State has expanded the teaching of technology, the use of technology in instruction, and the transfer of technology to local business and industry in support of regional economic development. Enrollment for fall 2013 was listed as 10,704. The Community College continues to support and develop career/technical associate's degrees and institutional certificates, university parallel associate's degree programs, and continuing education opportunities for the citizens of Knox, Blount, and surrounding counties. Pellissippi State Technical Community College (PSTCC) has been named one of the 200 fastest-growing community colleges in the nation, according to Community College Week. The College has released a 2012 report showing the school has pumped an average of \$244 million annually into the Knoxville-area economy over the last 5 years.

Several campuses make up the Community College. The main campus is the Pellissippi Campus in west Knoxville. The Division Street Campus and the newer Magnolia Avenue Campus, which opened in 2000, are also in Knoxville.

Source: Pellissippi State Technical Community College and the City.

HOSPITALS

Blount Memorial Hospital. Blount Memorial is an acute care, short-term hospital located in Maryville. The Hospital Facility consists of approximately 715,925 square feet and a licensed capacity of 304 beds and 176 physicians. The hospital employs about 2,440 people and had 11,992 admissions in 2012. The hospital facility is operated by Blount Memorial Hospital Incorporated (the "BMH, Inc."), a governmental non-profit corporation formed by the County pursuant to Tennessee law. The Hospital is governed by a board of directors appointed by the County, the Cities of Alcoa and Maryville, and Maryville College. The Hospital's property is owned by the County and BMH, Inc. There are several Special Care Units at Blount Memorial Hospital: ICU, CCU, same day surgery, medical/surgical patient care, Mountain View Recovery Center, emotional health center, family birthing center, and KidCare. The hospital's Emergency Room is open 24 hours and is equipped with 17 treatment rooms.

University of Tennessee Medical Center. Located in nearby Knoxville near the Blount County line, the *UT Medical Center* in Knoxville is an acute care teaching hospital with 581 beds and about 456 doctors. The hospital employs about 3,986 people and had 25,588 admissions for 2011. Designated as the region's Level I adult and pediatric Trauma Center by the state of Tennessee, the Medical Center provides the highest level of programs and emergency services. Critically ill patients are transported to the Medical Center via one of LIFESTAR'S two helicopters.

Special care units such as cardiac care, open heart, medical intensive care, neuro-respiratory, and trauma surgical intensive care are available for patients who require maximum medical attention. A Level IV Intensive Care Nursery, a Pediatric Intensive Care Unit, a newborn nursery and many other programs comprising Children's Health Services enable the hospital to provide the region's most comprehensive medical services for infants and children. University Hospital also serves as the Regional Perinatal Center. The new Heart Hospital was opened in 2010. See "RECENT DEVELOPMENTS" for new construction on the facility.

Source: University Health Center and Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

The economic base for Blount County includes a diversified group of industrial and service companies. The County has nine industrial parks within its boundaries with less than 400 acres remaining for development. Big Springs has 100 acres available in Maryville. Partnership Park North has 220 acres available about 8 miles from McGhee Tyson Airport in Alcoa. Partnership Park South has 210 acres in Maryville. Stock Creek Development Centre is a 24-acre site 5 miles from downtown Knoxville in Rockford.

The County is aligned with many strategic partners that assist growth and attract many advanced technology and R&D based companies. They are the Oak Ridge National Laboratory, the University of Tennessee, the Technology 2020 project, Tennessee Valley Authority and the National Safe Skies Alliance.

National Safe Skies Alliance is a non-profit consortium dedicated to advancing aviation security by conducting independent testing and evaluation of anti-terrorism technologies in airports nationwide. Safe Skies' membership is comprised of airports, airlines, national laboratories, universities, and the security industry, working in partnership with the Department of Homeland Security - Transportation Security Administration, to protect the traveling public. Safe Skies' staff of security specialists, test engineers and statisticians are experts in the evaluation of security systems for the Passenger Checkpoint, Checked Baggage and Air Cargo, Access Control and the Airport Perimeter.

The *Oak Ridge National Laboratory* (the "ORNL") based in nearby Roane County, is a multiprogram science and technology laboratory managed for the U.S. Department of Energy by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for the Department of Energy, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

Pellissippi Place is a 450 acre high tech park on the Oak Ridge Corridor in Alcoa. The first construction phase was begun in late 2008. The park focuses on technology, corporate research and high-tech business development. Phase I involved the infrastructure for the park, a phase that cost around \$10 million and was completed in 2010. The development is LEED certified, which requires all developers and contractors to following sustainable green building guidelines recognized by the U.S. Green Building Council. Pronova Solutions announced its plans to become the anchor tenant in 2013 and opened in June of 2015. The project represents an investment of \$52 million and up to 500 new jobs in Blount County. The Park is jointly owned by Blount County, the Cities of Alcoa and Maryville, and Knox County.

The *Technology 2020* project was initiated in 1993 to capitalize on the unique resources of the East Tennessee region: the presence of the ORNL, the University of Tennessee-Knoxville, the headquarters of the Tennessee Valley Authority, and a significant number of both large and small

technology companies in the region. A \$4.5 million investment has been made by DOE, South Central Bell, the Tennessee Public Service Commission and Lockheed-Martin to set up a regional telecommunications laboratory. This economic development resource center is located in Oak Ridge's Commerce Park. An 18,000 square foot facility has been constructed on the 5.2 acre site. The facility will be used for testing and demonstrating new communications technologies and applications.

The *Tennessee Valley Authority* (the "TVA") provides support, technology, expertise, and financial resources to existing businesses and industries in the Valley to help them grow and be more efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

The *University of Tennessee's* flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

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Major Employers in Blount County, Tennessee

<u>Company</u>	<u>Product/Service</u>	<u>Employment</u>
Denso ¹	Automotive Parts	3,400
Blount Memorial Hospital	Healthcare	2,441
McGhee Tyson Air National Guard	Airbase	2,100
Clayton Homes	Manufactured Housing	2,099
Blount County Schools	Education	1,800
ALCOA ²	Aluminum Ingot, Coiled Steel	1,200
Maryville City Schools	Education	653
Blount County Government	Government	605
Accenture	Hotel Customer Service	575
Wal-Mart	Retail Store	539
Ruby Tuesday Inc.	Restaurants	518
Massey Group	Electrical Contractor	400
Newell Rubbermaid	Rubbermaid Plastic Products	350
TeamHealth Alcoa Billing	Billing	330
City of Maryville	Government	304
Rockford Manufacturing	Yarn & Cordage	300
Standard Aero Alliance Inc.	Aircraft Engines and Parts	278
City of Alcoa	Government	260
Maryville College	University	254
Cornerstone of Recovery	Healthcare	235
Alcoa City Schools	Education	231
EZ Stop Food Marts	Retail	220
Reinhart Food Service	Distribution	187

¹Headquarters based in Blount County, but employment excludes 1,050 employees in the McMinn County Plant.

²Headquarters are based in Blount County, but employment includes some employees working in Knox County.

Source: Alcoa Audit, Blount County Chamber of Commerce, Blount County Audit, Maryville Audit and Knoxville News Sentinel - 2015.

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EMPLOYMENT INFORMATION

For the month of January 2016, the unemployment rate for Maryville stood at 4.4% with 12,670 persons employed out of a labor force of 13,250. As of January 2016, the unemployment rate for Blount County stood at 4.7% with 57,040 persons employed out of a labor force of 59,820.

The Knoxville MSA's unemployment for January 2016 was at 4.5% with 388,410 persons employed out of a labor force of 406,840. As of January 2016, the unemployment rate in the Knoxville-Morristown-Sevierville CSA stood at 5.0%, representing 495,140 persons employed out of a workforce of 521,350.

Unemployment

	Annual Average <u>2011</u>	Annual Average <u>2012</u>	Annual Average <u>2013</u>	Annual Average <u>2014</u>	Annual Average <u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Maryville	7.7%	7.0%	7.2%	6.0%	5.3%
Index vs. National	87	86	97	97	100
Index vs. State	84	87	88	90	91
Blount County	7.7%	6.8%	6.9%	6.0%	5.3%
Index vs. National	87	84	93	97	100
Index vs. State	84	85	84	90	91
Knoxville MSA	7.3%	6.6%	6.9%	6.2%	5.4%
Index vs. National	82	81	93	100	102
Index vs. State	79	82	84	93	93
Knoxville-Morristown – Sevierville CSA	8.3%	7.5%	7.7%	6.5%	6.5%
Index vs. National	93	93	104	105	123
Index vs. State	90	94	94	97	112

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
Blount County	\$32,760	\$34,319	\$35,882	\$36,023	\$37,085
Index vs. National	81	81	81	81	81
Index vs. State	92	92	92	92	92
Knoxville MSA	\$34,799	\$36,850	\$38,557	\$38,359	\$39,530
Index vs. National	86	87	87	86	86
Index vs. State	98	99	99	98	98
Knoxville-Sevierville-Harriman CSA	\$33,312	\$35,215	\$36,675	\$36,614	\$37,718
Index vs. National	83	83	83	82	82
Index vs. State	94	94	94	93	93

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Blount County</u>	<u>Alcoa</u>	<u>Maryville</u>
Median Value Owner Occupied Housing	\$175,700	\$139,900	\$163,600	\$120,400	\$189,100
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	87.3%	84.6%	90.0%
% Persons with Income Below Poverty Level	14.80%	18.30%	14.7%	21.9%	12.6%
Median Household Income	\$53,482	\$44,621	\$46,518	\$34,847	\$52,120

Source: U.S. Census Bureau State & County QuickFacts - 2014.

RECREATION

Appalachian National Scenic Trail (the "AT"). The Appalachian Trail is a 2,175-mile long footpath stretching through 14 eastern states from Maine to Georgia. It can be accessed in Blount County through the Great Smoky Mountain National Park in Townsend. Conceived in 1921 and first completed in 1937, it traverses the wild, scenic, wooded, pastoral, and culturally significant lands of the Appalachian Mountains. The AT is enjoyed by an estimated 4 million people each year.

Source: National Park Service.

Fort Loudoun State Historic Park. Fort Loudoun State Park is located in Vonore (in Monroe County) on TVA's Tellico Reservoir. This 1,200-acre site is the location of one of the earliest British fortifications on the western frontier, built in 1756. Today the fort and the 1794 Tellico Blockhouse overlook the Tellico Reservoir and the Appalachian Mountains. Much of the park's 1,200-acres lie on an island on Tellico Lake. The park has a Visitor Center/Museum that offers information on the area's history and artifacts that were excavated prior to the Fort's reconstruction. The largest event of each year is an 18th Century Trade Faire that showcases many aspects of that century. British soldiers, civilians, ladies and small children come together with traders, French soldiers, Creek and Cherokee Indians.

Source: Tennessee State Parks.

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. Monroe County is located southwest of the Park. Over 500,000 acres were set aside in 1934 to form the Park. It includes 97 historic and 342 modern structures that are maintained by the Park. The Park is a hiker's paradise with over 800 miles of maintained trails, including the Appalachian Trail. The Smoky Mountains have the most biological diversity of any area in the world's temperate zone. The Park is a sanctuary for a magnificent array of animal and plant life, all of which is protected for future generations to enjoy. Located in the center of the eastern half of the United States, the Park is readily accessible to 70% of the country's population. Each year it draws the largest attendance of any of the National Parks in the United States. Visitors during 2014 reached over 9.3 million.

In 2008 construction was completed to build a \$4.5 million Twin Creeks Science and Education Center near Gatlinburg. In April 2011, a \$3 million Oconoluftee Visitor Center opened near Cherokee, NC. In early 2016, a 13,000 square foot Collections Preservation Center operated by the National Park Service will open in Townsend, TN. These are the first new major buildings built in the Park since the Sugarlands Visitor Center opened in 1964 at the Gatlinburg entrance.

Source: National Park Service.

RECENT DEVELOPMENTS

Advanced Munitions International ("AIM"). AMI will build a global headquarters and state-of-the-art munitions manufacturing facility in Alcoa's Partnership Park, creating 605 new jobs. AMI expects to break ground on the 235-acre site in the spring of 2016 and is expected to open late 2018. The chance to benefit from research at Oak Ridge National Laboratory was a key factor in picking the Blount County location. Advanced Munitions International began in 2010 as Advanced Tactical Armament Concepts, converting an empty hangar and machine shop near the airport in Payson, Ariz. into an ammunition production facility. The company has rebranded as Advanced Munitions International, producing ammunition for HPR Ammunition, ATAC Emcon, and BlackOPs brands.

ALCOA Inc. A three year, \$275 million expansion to convert capacity for the automobile industry was completed in 2015. An additional 200 full-time workers were hired. ALCOA announced in 2012 that the smelting operation that was idled in 2009 would be permanently closed. In early 2010 ALCOA cut 90 Blount County jobs on top of the 450 jobs cut in 2009 due to an unprecedented drop in aluminum prices. The 450 jobs represented almost a third of some 1,500

ALCOA jobs in Blount County. The layoffs further reduce employment at the Blount County facility that at one time was the largest aluminum manufacturing facility in the world with 12,000 employees. The Pittsburgh-based manufacturer shut down both smelting production lines in Blount County as part of an 18-percent reduction in annual aluminum output.

ALCOA owns and operates three plants located in the City of Alcoa near the McGhee Tyson Airport. These are the company's primary aluminum smelting and fabricating plants in the United States. The plant's primary product is flat, rolled aluminum sheets that are processed into beverage cans, Venetian blinds, lithographic sheets, and automobile trim. The plants have produced in the past about 200 metric tons of aluminum a year. This operation is the largest aluminum-producing and fabricating complex in the United States.

Cirrus Aircraft. The private aircraft manufacturer Cirrus Aircraft announced plans in 2015 to invest \$15 million and create 170 jobs at the Metropolitan Knoxville Airport West Aviation Area. The new "Vision Center" will be the epicenter and flagship location for all Cirrus Aircraft pilot, owner and customer activities. The facility is expected to be complete in 2016. The Knoxville facility will include a full-motion flight simulator currently under development and other fixed training devices. It will also contain a factory service center as well as a design center, allowing buyers to personalize and create their Vision SF50.

Denso Tennessee. Denso Manufacturing produces automotive parts in four plants located in Maryville. Already one of the largest employers in the County, DENSO represents an investment exceeding \$1.1 billion in the Blount County Industrial Park. The company's entire campus, also featuring a training center, logistics center and associate fitness center, covers more than 154 acres. In 2015 Denso officials announced a \$400 million expansion to its Maryville facility that will add 500 new jobs. This is in addition to the additional 900 workers to begin a new production line of fuel efficient starters that have been hired since 2011. The 55-acre addition includes a new state-of-the-art electronics division. The expansion added a 220,000-square-foot wing to the company's existing facility, covering 1.5 million square feet. DENSO also has a plant in McMinn County that is undergoing a \$85 million expansion to be completed in mid-2016 and will hire an additional 400 people. The combined employment from plants in both counties equal 4,700 people as of January 2015.

Denso opened in 1988 and makes starters, alternators, instrument clusters and electronics for the automotive industry. The company provides parts for 20 automakers, including Toyota, Honda, Daimler Chrysler, General Motors, Ford and Subaru. Denso's parent company, Denso Corp., is based in Kariya, Japan.

First Tennessee Bank. First Tennessee Bank created about 65 positions in 2010 in Maryville. This brings some of its technology operations back to in-house. The workers manage servers, mainframes and other technology infrastructure for the Memphis-based company.

G&T Industries. G&T Industries, a supplier to the boating, RV and private aircraft markets has two locations in Blount County and doubled in size by 2010. The manufacturer will consolidate the two existing operations into a new 105,000-square-foot facility build on 15.9 acres of landing the Big Springs Industrial Park. The expansion cost between \$4 to \$5 million dollars and increased the

number of employees to about 100.

K12 Inc. A Virginia-based company, K12 Inc. began construction in 2014 on a call center at the Tyson Centre office building, next to the McGhee Tyson Airport in Alcoa. The \$2.4 million investment will occur over the next five years and should hire about 300 employees. K12 is an online learning company that offers courses in several subjects.

Koide Tennessee Inc. Koide Tennessee, a Japan-based company that produces metal tubing for the automotive industry, began a \$10.1 million expansion in 2014 that will result in over 30 new jobs for the manufacturing plant located in the Stock Creek Development Technology Park. The addition will be 76,000-square-foot facility on a 10-acre site. Construction should be completed by summer of 2015.

MasterCraft Boat Company. Located in Vonore, MasterCraft added 300 new jobs in the spring of 2010 following its recent acquisition of Hydra-Sports, a maker of saltwater boats. MasterCraft moved all the Hydra-Sports production to the MasterCraft plant in Vonore. In 1993, MasterCraft moved from Blount County to Monroe County. At its peak, the company employed about 650 workers in Vonore. The plant is currently located on Excellence Way, in a Tellico Reservoir Development Agency industrial park located directly on Tellico Lake. The company makes several types of boats: Hydra-Sport salt water boats, ProStar ski boats, X-Series wake board boats, MariStar luxury family personal boats and Salt Water Series designed for brackish water and the inland coastal waterway conditions.

Newell Rubbermaid. Rubbermaid added about 150 jobs to the Maryville facility after companywide reorganization in response to the down economy. The company owns the Sharpie brand and the Maryville facility will produce markers, highlighters and dry erase products. The addition of jobs to the Maryville facility is accompanied by cuts elsewhere in Tennessee facilities.

ProNova Solutions. ProNova opened a \$20 million proton center in the Pellissippi Place technology research and development park in 2015. The 55,000-square-foot facility will be a equipment supplier for the cancer-treatment technology. By 2023, ProNova expects to have 125 two-room systems out the Blount County facility and employ over 4,000 employees.

Royal Metal Powders Inc. The Rockford facility began a \$5 million expansion starting in 2011 over the next few years with 50 additional workers. Currently 20 people are employed to produce copper powders, copper alloy powders, pre-alloyed bronze and premixes.

Surface Igniter. LLC. In 2013 surface Igniter will relocate its headquarters and manufacturing facility from Puerto Rico to its existing facility in Maryville, investing \$3.8 million over the next three years. The company is a leading manufacturer of hot surface igniters for heating, cooking, clothes dryer and BBQ grill industries. It will begin production immediately in the 55,000-square foot Blount County Industrial Park in Maryville with 54 employees, and expects to double its number of jobs to 108 before 2016.

TeamHealth. TeamHealth finished an \$18 million expansion in 2012 that added 160 jobs to its facility in Alcoa. The company provides medical employees to hospitals, the military and other

organizations. It is headquartered in Knoxville and already employees 400 people at a facility in Alcoa. Adding up to 550 more jobs is also a possibility. TeamHealth was founded in 1979 and has six principal service lines located in 13 regional sites that employ more than 6,600. These healthcare professionals provide services to more than 700 civilian and military hospitals, clinics and physician groups in 45 states.

Source: The Blount County Economic Development Board, The Daily Times, Knoxville News Sentinel and WBIR Knoxville, TN.

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CITY OF MARYVILLE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) as of June 30, 2015 OUTSTANDING
2,000,000	Loan Agreement, Series B-10-A (Taxable)	June 2017	Fixed	465,000
3,000,000	Loan Agreement, Series B-17-A	June 2017	Fixed	1,860,000
23,075,000	(8) Lease Agreement, Series 2009 (Civic Arts Center)	June 2036	Variable	7,815,000
34,500,000	Water and Sewer Revenue and Tax Bonds, Series 2008A	June 2038	Fixed	33,250,000
4,100,000	Water and Sewer Revenue and Tax Bonds, Series 2008B	June 2028	Fixed	3,265,000
14,750,000	(5) General Obligation Refunding Bonds, Series 2008C	June 2021	Fixed	5,360,000
3,100,000	Electric System Revenue Bonds, Series 2007	June 2021	Fixed	1,630,000
11,540,000	General Obligation Refunding Bonds, Series 2009	June 2019	Fixed	4,475,000
16,365,000	(6) General Obligation Refunding Bonds, Series 2009B	June 2024	Fixed	16,365,000
2,785,000	(7) General Obligation Refunding Bonds, Series 2009C (Taxable)	June 2019	Fixed	2,400,000
18,720,000	(9) Qualified School Construction Bonds, Series 2009	June 2027	Fixed	18,720,000
14,355,000	(10) Lease Agreement, Series 2009C (Civic Arts Center- Maryville's Portion)	June 2030	Fixed	12,185,000
2,500,000	General Obligation Bonds, Series 2010	June 2025	Fixed	1,775,000
14,170,000	General Obligation Refunding Bonds, Series 2010B	June 2030	Fixed	14,170,000
2,304,000	Loan Agreement, Series 2011 (BEST Loan)	June 2031	Fixed	1,915,788
9,855,000	General Obligation Refunding Bonds, Series 2015	June 2035	Fixed	9,855,000
3,350,000	General Obligation Refunding Bonds, Series 2016	June 2029	Fixed	3,350,000
\$ 180,469,000	TOTAL BONDED DEBT			\$ 138,855,788
	Plus: General Obligation Refunding Bonds, Series 2016	June 2028	Fixed	6,175,000
	Less: Refunded Debt: Loan Agreement, Series B-17-A	June 2023	Fixed	(1,245,000)
	Less: Water and Sewer Revenue and Tax Bonds, Series 2008B	June 2028	Fixed	(2,665,000)
	Less: Electric System Revenue Bonds, Series 2007	June 2021	Fixed	(1,130,000)
	Less: General Obligation Refunding Bonds, Series 2008C	June 2021	Fixed	(1,145,000)
	Less: Revenue-Supported Debt			(52,083,788)
	NET BONDED DEBT			\$ 86,762,000

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Revenue-supported bonds.
- (3) Revenue-only bonds.
- (4) The City budgets to account for interest rate and/or basis risk.
- (5) The Series 2008C Bonds are additionally payable from the revenues of the Water and Sewer System and the Electric System. \$2,690,000 is allocated to the Water and Sewer System and \$2,115,000 is allocated to the Electric System.
- (6) \$4,810,000 of the Series 2009B Bonds are additionally payable from the revenues of the Water and Sewer System.
- (7) \$595,000 of the Series 2009C (Taxable) Bonds are additionally payable from the revenues of the Water and Sewer System.
- (8) The Series 2009 Bonds were issued by the Industrial Development Board of Blount County, TN. The City has pledged its full, faith and credit to the repayment of the lease agreement. \$7,815,000 of principal on the Project is still outstanding and in the variable rate mode. For more information, see the notes to the Financial Statements in the CAFR.
- (9) The Qualified School Construction Bonds, Series 2009 require annual sinking fund deposits to made to pay off the \$18,720,000 in full on June 1, 2027. As of June 30, 2015, the City has already deposited \$5,645,836 into the sinking fund, leaving only \$13,074,164 remaining.
- (10) The Series 2009C Bonds were issued by the Industrial Development Board of Blount County, TN. The City has pledged its full, faith and credit to the repayment of the lease agreement. \$12,185,000 of principal on the Project is still outstanding. For more information, see the notes to the Financial Statements in the CAFR.

CITY OF MARYVILLE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements.

	For Fiscal Year Ending June 30					After Issuance
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$93,201,585	\$90,168,486	\$88,413,045	\$89,355,000	\$86,835,000	\$86,762,000
TOTAL TAX SUPPORTED	<u>\$93,201,585</u>	<u>\$90,168,486</u>	<u>\$88,413,045</u>	<u>\$89,355,000</u>	<u>\$86,835,000</u>	<u>\$86,762,000</u>
REVENUE SUPPORTED						
Water & Sewer Revenue Bonds & Notes	\$52,774,000	\$51,394,920	\$49,313,884	\$47,940,856	\$46,525,788	\$46,640,788
Electric Revenue Bonds & Notes	9,575,000	8,735,000	6,845,000	6,195,000	5,520,000	5,443,000
TOTAL REVENUE SUPPORTED	<u>\$62,349,000</u>	<u>\$60,129,920</u>	<u>\$56,158,884</u>	<u>\$54,135,856</u>	<u>\$52,045,788</u>	<u>\$52,083,788</u>
TOTAL DEBT	\$155,550,585	\$150,298,406	\$144,571,929	\$143,490,856	\$138,880,788	\$138,845,788
Less: Revenue Supported Debt	(\$62,349,000)	(\$60,129,920)	(\$56,158,884)	(\$54,135,856)	(\$52,045,788)	(\$52,083,788)
Less: Debt Service Fund	(9,087,727)	(8,489,676)	(8,009,035)	(8,010,894)	(8,025,225)	(8,025,225)
NET DIRECT DEBT	\$84,113,858	\$81,678,810	\$80,404,010	\$81,344,106	\$78,809,775	\$78,736,775
PROPERTY TAX BASE						
Estimated Actual Value	\$2,714,977,426	\$2,721,418,096	\$2,730,641,244	\$2,766,724,572	\$2,877,221,057	\$2,877,221,057
Appraised Value	2,714,977,426	2,721,418,096	2,730,641,244	2,766,724,572	2,877,221,057	2,877,221,057
Assessed Value	791,950,946	794,738,374	798,045,864	810,407,359	844,122,768	844,122,768

Source: General Purpose Financial Statements and City Officials.

DEBT RATIOS	For Fiscal Year Ending June 30					After Issuance
	2011	2012	2013	2014	2015	
TOTAL DEBT to Estimated Actual Value	5.73%	5.52%	5.29%	5.19%	4.83%	4.83%
TOTAL DEBT to Appraised Value	5.73%	5.52%	5.29%	5.19%	4.83%	4.83%
TOTAL DEBT to Assessed Value	19.64%	18.91%	18.12%	17.71%	16.45%	16.45%
NET DIRECT DEBT to Estimated Actual Value	3.10%	3.00%	2.94%	2.94%	2.74%	2.74%
NET DIRECT DEBT to Appraised Value	3.10%	3.00%	2.94%	2.94%	2.74%	2.74%
NET DIRECT DEBT to Assessed Value	10.62%	10.28%	10.08%	10.04%	9.34%	9.33%
PER CAPITA RATIOS						
POPULATION (1)	27,777	27,914	27,992	27,992	27,992	27,992
PER CAPITA PERSONAL INCOME (2)	\$34,319	\$35,882	\$36,023	\$37,085	\$37,085	\$37,085
Estimated Actual Value to POPULATION	97,742	97,493	97,551	98,840	102,787	102,787
Assessed Value to POPULATION	28,511	28,471	28,510	28,951	30,156	30,156
Total Debt to POPULATION	5,600	5,384	5,165	5,126	4,961	4,960
Net Direct Debt to POPULATION	3,028	2,926	2,872	2,906	2,815	2,813
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	16.32%	15.01%	14.34%	13.82%	13.38%	13.38%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	8.82%	8.15%	7.97%	7.84%	7.59%	7.58%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census and the City.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF MARYVILLE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended	Existing Debt - General Obligation (1) - As of June 30, 2015				Refunding Bonds, Series 2016B				Less: Refunded Bonds				Total Bonded Debt Service Requirements (1)				% Principal Repaid		
	Principal	Interest	Sinking Fund on QSCB 2009	State Admin Fees & Sinking Fund	Principal	Interest (2)	TOTAL	State Admin Fees & Sinking Fund	Principal	Interest	TOTAL	State Admin Fees & Sinking Fund	Principal	Interest (2)	Sinking Fund on QSCB 2009	State Admin Fees & Sinking Fund		TOTAL	
2016	\$ 2,630,000	\$ 2,988,999	\$ 1,168,104	\$ 74,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,630,000	\$ 2,988,999	\$ 1,168,104	\$ 74,880	\$ 6,831,783	3.03%
2017	2,890,000	2,803,736	1,168,104	74,880	-	31,374	31,374	-	(52,913)	(52,913)	(52,913)	-	2,890,000	2,782,197	1,168,104	74,880	6,915,181		
2018	2,730,000	2,687,063	1,168,104	74,880	-	30,860	30,860	-	(52,913)	(52,913)	(52,913)	-	2,730,000	2,663,911	1,168,104	74,880	6,657,995		
2019	3,205,000	2,897,731	1,168,104	74,880	224,000	33,860	357,860	(325,000)	(43,250)	(43,250)	(43,250)	224,000	3,205,000	2,864,661	1,168,104	74,880	6,467,302		
2020	3,380,000	2,869,332	1,168,104	74,880	224,000	24,200	248,200	(325,000)	(43,250)	(43,250)	(43,250)	224,000	3,380,000	2,846,132	1,168,104	74,880	6,897,197	16.53%	
2021	3,585,000	2,939,246	1,168,104	74,880	244,000	17,330	261,330	(350,000)	(33,363)	(33,363)	(33,363)	244,000	3,585,000	2,905,883	1,168,104	74,880	7,002,067		
2022	3,585,000	2,198,721	1,168,104	74,880	248,000	10,100	258,100	(360,000)	(22,738)	(22,738)	(22,738)	248,000	3,585,000	2,186,083	1,168,104	74,880	7,044,607		
2023	3,760,000	2,066,171	1,168,104	74,880	257,000	5,140	262,140	(375,000)	(11,688)	(11,688)	(11,688)	257,000	3,760,000	2,059,623	1,168,104	74,880	7,481,067		
2024	4,320,000	1,918,083	1,168,104	74,880	-	-	-	-	-	-	-	-	4,320,000	1,748,483	1,168,104	74,880	7,481,067		
2025	3,905,000	1,748,483	1,168,104	74,880	-	-	-	-	-	-	-	-	3,905,000	1,748,483	1,168,104	74,880	6,896,467	38.33%	
2026	3,335,000	1,606,908	1,283,014	74,880	-	-	-	-	-	-	-	-	3,335,000	1,606,908	1,283,014	74,880	6,299,802		
2027	22,175,000	1,227,209	110,110	(18,713,760)	-	-	-	-	-	-	-	-	22,175,000	1,227,209	110,110	(18,713,760)	4,798,559		
2028	3,615,000	1,064,625	-	-	-	-	-	-	-	-	-	-	3,615,000	1,064,625	-	-	4,679,625		
2029	3,745,000	917,600	-	-	-	-	-	-	-	-	-	-	3,745,000	917,600	-	-	4,662,600		
2030	3,845,000	763,975	-	-	-	-	-	-	-	-	-	-	3,845,000	763,975	-	-	4,608,975	80.65%	
2031	3,240,000	620,925	-	-	-	-	-	-	-	-	-	-	3,240,000	620,925	-	-	3,860,925		
2032	3,360,000	506,250	-	-	-	-	-	-	-	-	-	-	3,360,000	506,250	-	-	3,866,250		
2033	3,580,000	387,300	-	-	-	-	-	-	-	-	-	-	3,580,000	387,300	-	-	3,967,300		
2034	3,425,000	260,700	-	-	-	-	-	-	-	-	-	-	3,425,000	260,700	-	-	3,685,700	98.35%	
2035	1,750,000	137,925	-	-	-	-	-	-	-	-	-	-	1,750,000	137,925	-	-	1,887,925		
2036	1,435,000	64,575	-	-	-	-	-	-	-	-	-	-	1,435,000	64,575	-	-	1,499,575	100.00%	
2037	\$ 86,810,000	\$ 31,340,995	\$ 13,074,164	\$ (17,890,080)	\$ 1,197,000	\$ 149,864	\$ 1,346,864	\$ (1,245,000)	\$ (249,875)	\$ (1,494,875)	\$ (1,494,875)	\$ 1,197,000	\$ 86,810,000	\$ 31,220,985	\$ 13,074,164	\$ (17,890,080)	\$ 113,167,069		

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAPR.
(2) Average Coupon of 2.4592%

CITY OF MARYVILLE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water & Sewer System

F.Y. Ended	Total Bonded			General Obligation			Less:			Total Bonded			% Principal Repaid
	Debt Service Requirements (1) As of June 30, 2015			Refunding Bonds, Series 2016B			Refunded Bonds			Debt Service Requirements (1)			
6/30	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2016	\$ 1,462,144	\$ 2,068,598	\$ 3,530,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,462,144	\$ 2,068,598	\$ 3,530,742	3.13%
2017	1,539,268	1,998,749	3,538,017	24,000	64,508	88,508	-	(113,575)	(113,575)	1,563,268	1,949,682	3,512,950	
2018	1,626,440	1,926,573	3,553,013	22,000	62,730	84,730	-	(113,575)	(113,575)	1,648,440	1,875,728	3,524,168	
2019	1,738,648	1,853,545	3,592,193	242,000	62,070	304,070	(215,000)	(102,825)	(328,575)	1,765,648	1,802,040	3,567,688	
2020	1,815,916	1,776,823	3,592,739	244,000	54,810	298,810	(225,000)	(102,825)	(327,825)	1,834,916	1,728,808	3,563,724	17.74%
2021	1,923,220	1,703,653	3,626,873	253,000	47,490	300,490	(235,000)	(93,825)	(328,825)	1,941,220	1,657,318	3,598,538	
2022	2,020,572	1,615,649	3,636,221	262,000	39,900	301,900	(245,000)	(84,425)	(329,425)	2,037,572	1,571,124	3,608,696	
2023	1,677,972	1,537,046	3,215,018	273,000	34,660	307,660	(260,000)	(74,625)	(334,625)	1,690,972	1,497,081	3,188,053	
2024	1,790,432	1,468,292	3,258,724	280,000	29,200	309,200	(270,000)	(63,575)	(333,575)	1,800,432	1,433,917	3,234,349	
2025	1,852,940	1,396,900	3,249,840	280,000	23,600	303,600	(280,000)	(52,438)	(332,438)	1,852,940	1,368,062	3,221,002	
2026	1,920,496	1,320,818	3,241,314	290,000	18,000	308,000	(295,000)	(40,538)	(335,538)	1,915,496	1,298,281	3,213,777	
2027	2,043,100	1,241,921	3,285,021	305,000	12,200	317,200	(315,000)	(28,000)	(343,000)	2,033,100	1,226,121	3,259,221	
2028	2,155,764	1,155,476	3,311,240	305,000	6,100	311,100	(325,000)	(14,219)	(339,219)	2,135,764	1,147,357	3,283,121	
2029	1,933,488	1,064,163	2,997,651	-	-	-	-	-	-	1,933,488	1,064,163	2,997,651	
2030	2,036,760	980,386	3,016,646	-	-	-	-	-	-	2,036,760	980,386	3,016,646	59.29%
2031	2,139,128	892,054	3,031,182	-	-	-	-	-	-	2,139,128	892,054	3,031,182	
2032	2,100,000	800,500	2,900,500	-	-	-	-	-	-	2,100,000	800,500	2,900,500	
2033	2,200,000	706,000	2,906,000	-	-	-	-	-	-	2,200,000	706,000	2,906,000	
2034	2,300,000	607,000	2,907,000	-	-	-	-	-	-	2,300,000	607,000	2,907,000	
2035	2,500,000	503,500	3,003,500	-	-	-	-	-	-	2,500,000	503,500	3,003,500	83.17%
2036	2,500,000	392,500	2,892,500	-	-	-	-	-	-	2,500,000	392,500	2,892,500	
2037	2,600,000	267,500	2,867,500	-	-	-	-	-	-	2,600,000	267,500	2,867,500	
2038	2,750,000	137,500	2,887,500	-	-	-	-	-	-	2,750,000	137,500	2,887,500	100.00%
	\$ 46,525,788	\$ 27,415,146	\$ 73,940,934	\$ 2,780,000	\$ 455,268	\$ 3,235,268	\$ (2,665,000)	\$ (895,194)	\$ (3,560,194)	\$ 46,640,788	\$ 26,975,220	\$ 73,616,008	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon of 2.1435%

CITY OF MARYVILLE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Electric System

F.Y. Ended 6/30	Existing Debt - Electric System (1) - As of June 30, 2015		General Obligation Refunding Bonds, Series 2016B			Less: Refunded Bonds			Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2016	\$ 705,000	\$ 223,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 705,000	\$ 223,663	\$ 928,663	12.95%
2017	740,000	195,125	6,000	67,039	73,039	-	(100,188)	(100,188)	746,000	161,977	907,977	26.66%
2018	770,000	164,675	253,000	65,760	318,760	(265,000)	(100,188)	(365,188)	758,000	130,248	888,248	40.58%
2019	805,000	132,538	626,000	58,170	684,170	(640,000)	(89,588)	(729,588)	791,000	101,120	892,120	55.12%
2020	840,000	99,250	647,000	39,390	686,390	(670,000)	(61,250)	(731,250)	817,000	77,390	894,390	70.13%
2021	880,000	64,288	666,000	19,980	685,980	(700,000)	(31,600)	(731,600)	846,000	52,668	898,668	85.67%
2022	185,000	26,838	-	-	-	-	-	-	185,000	26,838	211,838	89.07%
2023	190,000	20,825	-	-	-	-	-	-	190,000	20,825	210,825	92.56%
2024	200,000	14,175	-	-	-	-	-	-	200,000	14,175	214,175	96.23%
2025	205,000	7,175	-	-	-	-	-	-	205,000	7,175	212,175	100.00%
	<u>\$ 5,520,000</u>	<u>\$ 948,550</u>	<u>\$ 2,198,000</u>	<u>\$ 250,339</u>	<u>\$ 2,448,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,443,000</u>	<u>\$ 816,077</u>	<u>\$ 6,259,077</u>	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Estimated Interest Rate

FINANCIAL INFORMATION

INTRODUCTION

As required by generally accepted accounting principles (GAAP), all City funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial position and includes, at a minimum, quarterly reports to the City Council. All City financial statements are audited annually by independent certified public accountants.

The City's General Purpose Financial Statements, which is an extract of the Comprehensive Annual Financial Report, is included herein.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

BUDGETARY PROCESS

The City Manager, in a timely manner, is required to submit to the City Council a proposed operating budget for the fiscal year which begins on the following July 1. A public hearing is conducted by the City Council to obtain citizen comment on the proposed budget. Prior to June 30th, the budget must be adopted. All annual appropriations lapse at the end of the fiscal year.

Amendments that revise the total expenditures of any fund may occur at any time during the fiscal year. Any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City. The table below depicts fund balances and retained earnings for the last five fiscal years ending June 30:

	<u>For The Year Ended June 30</u>				
<u>Fund Type</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<i>Governmental Funds:</i>					
General	\$ 6,069,123	\$ 6,578,428	\$ 6,996,507	\$ 7,794,799	\$ 8,720,364
General Purpose Schools	7,272,785	6,556,371	5,104,047	6,927,316	7,940,344
Debt Service	9,087,727	8,489,676	8,009,035	8,010,894	8,025,226
Other Governmental	<u>12,387,819</u>	<u>6,631,849</u>	<u>4,892,159</u>	<u>4,360,622</u>	<u>4,784,711</u>
Total	<u>\$34,817,454</u>	<u>\$28,256,324</u>	<u>\$24,911,748</u>	<u>\$27,093,631</u>	<u>\$29,470,645</u>
<i>Proprietary Net Assets:</i>					
Electric Dept	\$31,736,457	\$34,510,607	\$36,818,824	\$38,499,487	\$38,894,690
Water Dept	48,618,277	49,632,707	51,361,040	52,964,348	54,225,096
Stormwater	933,443	1,379,453	1,772,577	2,073,971	2,553,951
Internal Service Funds	<u>2,936,531</u>	<u>3,221,133</u>	<u>3,456,016</u>	<u>3,154,061</u>	<u>3,558,210</u>
Total	<u>\$84,224,708</u>	<u>\$88,743,900</u>	<u>\$93,408,457</u>	<u>\$96,691,867</u>	<u>\$99,231,947</u>

Source: Comprehensive Annual Financial Reports of the City of Maryville, Tennessee.

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CITY OF MARYVILLE, TENNESSEE
 Five Year Summary of Revenues, Expenditures and
 Changes In Fund Balances - General Fund
 For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Local taxes	\$ 27,667,508	\$ 28,282,041	\$ 28,239,030	\$ 29,103,483	\$ 31,546,926
Licenses and Permits	30,563	29,485	29,451	28,728	27,851
Intergovernmental Revenue	2,132,621	2,484,347	2,504,937	2,809,045	2,874,560
Charges for Services	697,977	695,721	720,529	701,739	930,927
Fines and Forfeits	55,484	58,079	71,776	73,044	52,595
Investment Income	166,452	91,355	57,230	57,409	51,006
Other Revenues	21,960	54,401	32,693	21,902	185,692
Total Revenues	\$ 30,772,565	\$ 31,695,429	\$ 31,655,646	\$ 32,795,350	\$ 35,669,557
Expenditures and Other Uses:					
General Government	\$ 2,183,029	\$ 1,985,519	\$ 2,106,878	\$ 2,327,219	\$ 3,353,544
Public Safety	7,889,685	7,673,432	7,853,986	8,141,830	8,485,447
Public Works	5,496,891	5,586,752	5,533,240	5,605,476	5,696,625
Recreation and Parks	1,377,826	1,377,826	1,383,625	1,397,496	1,425,576
Economic Development	-	71,635	-	-	-
Nondepartmental Costs	994,254	978,445	1,014,323	1,018,871	1,292,612
Capital Projects	918,996	113,133	126,040	53,640	96,675
Total Expenditures	\$ 18,860,681	\$ 17,786,742	\$ 18,018,092	\$ 18,544,532	\$ 20,350,479
Excess of Revenues & Over (under) Expenditures	\$ 11,911,884	\$ 13,908,687	\$ 13,637,554	\$ 14,250,818	\$ 15,319,078
Other Financing Sources (Uses):					
Interfund Transfers - In	\$ 1,382,880	\$ 1,411,107	\$ 1,449,365	\$ 1,472,437	\$ 1,492,314
Interfund Transfers - Out	(13,409,575)	(14,810,489)	(14,555,707)	(14,811,830)	(15,772,694)
Contribution To Utility Fund	-	-	-	-	-
Capitalized Lease	918,996	-	(113,133)	(113,133)	(113,133)
Issuance Of Notes	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ (11,107,699)	\$ (13,399,382)	\$ (13,219,475)	\$ (13,452,526)	\$ (14,393,513)
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	\$ 804,185	\$ 509,305	\$ 418,079	\$ 798,292	\$ 925,565
Residual Equity Transfer	-	-	-	-	-
Fund Balance July 1	5,110,799	6,069,123	6,578,428	6,996,507	7,794,799
Prior Period Adjustment	154,139	-	-	-	-
Fund Balance June 30	\$ 6,069,123	\$ 6,578,428	\$ 6,996,507	\$ 7,794,799	\$ 8,720,364

Source: Comprehensive Annual Financial Report for City of Maryville, Tennessee

CITY OF MARYVILLE, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Net Position - Water And Sewer Fund
For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Metered Water Sales	\$ 4,304,952	\$ 4,493,691	\$ 4,934,756	\$ 5,139,105	\$ 5,069,858
Sewer Sales	5,669,545	5,867,938	6,425,756	6,849,430	6,797,711
Forfeited Discounts	86,787	84,705	89,097	94,462	94,640
Rent from Water Property	94,293	104,011	125,771	131,363	138,817
Miscellaneous	602,762	901,405	488,209	454,916	672,069
Connection Charges	16,215	16,700	19,610	18,280	18,250
State Loan Repayment	-	-			
City of Alcoa - WWTP Debt Share	830,713	882,637	839,453	833,829	772,990
City of Alcoa - Sewage Treatment	1,259,429	1,374,234	1,279,985	1,288,600	1,172,644
Knox - Chapman Utility District	95,024	95,024	95,024	95,024	95,024
Total Revenues	<u>\$ 12,959,720</u>	<u>\$ 13,820,345</u>	<u>\$ 14,297,661</u>	<u>\$ 14,905,009</u>	<u>\$ 14,832,003</u>
Expenses:					
Direct Operating Expense	\$ 4,477,713	\$ 5,192,969	\$ 4,911,491	\$ 5,214,512	\$ 5,015,900
Customer Accounting and Collection	852,224	894,663	904,606	952,686	1,022,458
Administrative and General	1,219,163	1,121,856	1,234,327	1,320,716	1,500,779
Depreciation and Amortization	2,555,009	3,131,142	3,160,018	3,230,550	3,266,256
Total Expenses	<u>\$ 9,104,109</u>	<u>\$ 10,340,630</u>	<u>\$ 10,210,442</u>	<u>\$ 10,718,464</u>	<u>\$ 10,805,393</u>
Operating Income	\$ 3,855,611	\$ 3,479,715	\$ 4,087,219	\$ 4,186,545	\$ 4,026,610
Non-Operating Revenues (Expenses):					
Interest Earned	\$ 58,849	\$ 8,574	\$ 10,129	\$ 7,390	\$ 8,008
Amortization of Debt Expense	(126,732)	(136,035)	(159,270)	(154,650)	(146,223)
Gain on Sale of Capital Assets	142,062	59,570	28,019	30,983	69,101
Total Non-Operating Revenues (Expenses)	<u>\$ 74,179</u>	<u>(67,891)</u>	<u>(121,122)</u>	<u>(116,277)</u>	<u>(69,114)</u>
Income Before Interest Expense	3,929,790	3,411,824	3,966,097	4,070,268	3,957,496
Interest Expense	<u>(2,331,823)</u>	<u>(2,285,640)</u>	<u>(2,226,620)</u>	<u>(2,135,335)</u>	<u>(2,076,019)</u>
Net Income Befor Contributions and Transfers	\$ 1,597,967	\$ 1,126,184	\$ 1,739,477	\$ 1,934,933	\$ 1,881,477
Capital Contributions	3,926,340	375,028	491,035	157,413	541,280
Payments in Lieu of Taxes	<u>(517,258)</u>	<u>(486,782)</u>	<u>(502,179)</u>	<u>(489,038)</u>	<u>(499,574)</u>
Change in Net Position	<u>\$ 5,007,049</u>	<u>\$ 1,014,430</u>	<u>\$ 1,728,333</u>	<u>\$ 1,603,308</u>	<u>\$ 1,923,183</u>
Net Position - July 1	43,611,228	48,618,277	49,632,707	51,361,040	52,964,348
Restatement of beginning Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662,435)</u>
Net Assets - June 30	<u><u>\$ 48,618,277</u></u>	<u><u>\$ 49,632,707</u></u>	<u><u>\$ 51,361,040</u></u>	<u><u>\$ 52,964,348</u></u>	<u><u>\$ 54,225,096</u></u>

Source: Comprehensive Annual Financial Reports for City of Maryville, Tennessee.

CITY OF MARYVILLE, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - Electric Fund
For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Residential	\$ 24,862,742	\$ 23,171,563	\$ 23,750,999	\$ 24,163,115	\$ 24,391,003
Small lighting and power sales	5,217,947	5,253,233	5,422,048	5,461,590	5,325,767
Large lighting and power sales	33,129,619	32,794,405	32,943,612	33,768,281	34,315,541
Electric sales growth credit	(126,917)	(116,409)	(114,794)	(194,023)	(242,398)
Street and outdoor	1,092,619	1,088,969	1,107,119	1,102,120	1,142,656
Total Charges for Service	<u>\$ 64,176,010</u>	<u>\$ 62,191,761</u>	<u>\$ 63,108,984</u>	<u>\$ 64,301,083</u>	<u>\$ 64,932,569</u>
Consumer forfeitures and discounts	\$ 443,158	\$ 395,600	\$ 352,208	\$ 393,050	\$ 376,361
Rent from electric property	365,782	377,620	396,812	144,966	144,121
Other electric revenue	(1,665)	-	1,005	434,352	598,380
Miscellaneous service revenue	128,772	128,565	133,282	607	(1,766)
Total Revenues	<u>\$ 65,112,057</u>	<u>\$ 63,093,546</u>	<u>\$ 63,992,291</u>	<u>\$ 65,274,058</u>	<u>\$ 66,049,665</u>
Purchased Power	\$ 53,736,628	\$ 51,696,014	\$ 52,912,312	\$ 54,460,560	\$ 55,490,463
Operating Expenses:					
Transmission expenses	\$ 4,318	\$ 4,253	\$ 5,673	\$ 15,563	\$ 9,650
Distribution expenses	940,095	939,422	1,104,815	1,191,951	1,125,439
Customer account expenses	631,992	725,482	619,662	640,203	679,765
Sales expense	17,041	16,221	108,671	107,913	133,496
Administrative and general expense	1,868,236	1,725,716	1,693,236	1,846,764	1,861,881
Total Operating Expenses	<u>\$ 3,461,682</u>	<u>\$ 3,411,094</u>	<u>\$ 3,532,057</u>	<u>\$ 3,802,394</u>	<u>\$ 3,810,231</u>
Maintenance Expenses:					
Transmission expenses	\$ 54,240	\$ 47,933	\$ 52,509	\$ 45,953	\$ 50,396
Distribution expenses	1,319,200	1,422,549	1,349,592	1,408,220	1,447,873
Administrative and general expense	3,568	3,058	4,639	5,492	6,294
Total Maintenance Expenses	<u>\$ 1,377,008</u>	<u>\$ 1,473,540</u>	<u>\$ 1,406,740</u>	<u>\$ 1,459,665</u>	<u>\$ 1,504,563</u>
Other Operating Expenses:					
Depreciation expenses	\$ 1,958,610	\$ 2,001,084	\$ 2,069,861	\$ 2,161,991	\$ 2,242,519
Taxes	1,284,498	1,365,877	1,400,971	1,452,649	1,467,255
Total Other Operating Expenses	<u>\$ 3,243,108</u>	<u>\$ 3,366,961</u>	<u>\$ 3,470,832</u>	<u>\$ 3,614,640</u>	<u>\$ 3,709,774</u>
Operating Income	\$ 3,293,631	\$ 3,145,937	\$ 2,670,350	\$ 1,936,799	\$ 1,534,634
Non-Operating Revenues (Expenses):					
Rent from non-utility property	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400
Interest Earned	19,030	12,583	11,709	7,342	6,805
Amortization of debt expense	(25,771)	(25,771)	(38,260)	(19,332)	(19,332)
Total Non-Operating Revenues (Expenses)	<u>\$ 1,659</u>	<u>\$ (4,788)</u>	<u>\$ (18,151)</u>	<u>\$ (3,590)</u>	<u>\$ (4,127)</u>
Income Before Interest Expense	3,295,290	3,141,149	2,652,199	1,933,209	1,530,507
Interest Expense	(392,981)	(366,999)	(333,833)	(262,695)	(238,895)
Extraordinary Item	-	-	-	-	-
Net Income	<u>\$ 2,902,309</u>	<u>\$ 2,774,150</u>	<u>\$ 2,318,366</u>	<u>\$ 1,670,514</u>	<u>\$ 1,291,612</u>
Retained Earnings - July 1	28,834,148	31,736,457	34,510,607	36,828,973	38,499,487
Prior Year Adjustments	-	-	-	-	(896,409)
Retained Earnings - June 30	<u><u>\$ 31,736,457</u></u>	<u><u>\$ 34,510,607</u></u>	<u><u>\$ 36,828,973</u></u>	<u><u>\$ 38,499,487</u></u>	<u><u>\$ 38,894,690</u></u>

Source: Comprehensive Annual Financial Reports for City of Maryville, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater than two years without written permission of the State Director of Local Finance.

As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for

that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the City, property in the County and City reflected a ratio of appraised value to true market value of 1.00 for tax year 2014¹.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 12,917,003	1.3%	\$ 29,592,218
Commercial and Industrial	258,219,280	30.3%	645,548,200
Personal Tangible	134,797,710	15.3%	449,325,539
Residential and Farm	<u>438,188,775</u>	53.1%	<u>1,752,755,100</u>
Total	<u>\$844,122,768</u>		<u>\$2,877,221,057</u>

Source: 2014 Tax Aggregate Report.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2015 (tax year 2014) is \$844,122,768 compared to \$810,407,359 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is \$2,877,221,057 compared to \$2,766,724,572 for tax year 2013.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2015.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year¹	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2015	
						Amount	Pct
2011	\$794,162,647	\$2.17	\$17,187,644	\$16,598,526	96.5%	N/A	
2012	809,102,346	2.17	17,280,590	16,729,203	96.8%	N/A	
2013	810,407,359	2.17	17,589,610	17,153,249	97.5%	N/A	
2014	844,122,768	2.17	18,323,056	17,894,734	97.7%	\$428,322	2.3%
2015	899,200,255	2.17	19,512,647	IN PROGRESS			

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¹ The tax year coincides with the calendar year, therefore, tax year 2015 is actually fiscal year 2015-2016.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the City are as follows:

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Levied</u>
1.	Denso	Manufacturing	\$121,242,133	\$2,630,954
2.	Presbyterian Homes	Retirement Center	7,938,315	172,262
3.	First Tennessee Bank	Financial	7,326,662	158,989
4.	CBL & Associates	Real Estate	6,925,880	150,292
5.	Bridgeway Properties 1, LLC	Real Estate	6,555,430	142,253
6.	Standard Aero	Jet Engine Repair	5,986,452	129,906
7.	Wal-Mart Stores, Inc	Retail	5,969,498	129,538
8.	Camellia Trace at Mtn View	Apartments	5,672,645	123,097
9.	Ruby Tuesday	Restaurant	4,745,675	102,981
10.	Atmos Energy Corp	Natural Gas Utilities	<u>4,264,005</u>	<u>92,529</u>
	TOTAL		<u>\$176,626,695</u>	<u>\$3,832,801</u>

Source: The City.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2014 (tax year 2013), the ten largest taxpayers in the City are as follows:

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Levied</u>
1.	Denso	Manufacturing	\$ 95,583,895	\$2,074,171
2.	CBL & Associates	Real Estate	10,589,520	229,793
3.	Bridgeway Properties 1, LLC	Real Estate	8,338,325	180,942
4.	Presbyterian Homes	Retirement Center	7,938,315	172,262
5.	Standard Aero	Jet Engine Repair	7,581,834	164,526
6.	First Tennessee Bank	Financial	7,051,743	153,022
7.	Wal-Mart Stores, Inc	Retail	6,020,819	130,652
8.	Camellia Trace at Mtn View	Apartments	5,637,519	123,115
9.	Ruby Tuesday	Restaurant	5,497,388	119,293
10.	Atmos Energy Corp	Natural Gas Utilities	<u>4,118,593</u>	<u>89,373</u>
	TOTAL		<u>\$158,357,951</u>	<u>\$3,437,149</u>

Source: The City.

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated*, as amended, (the "Act"), the County levies a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate. The City raised the local option sales tax rate by a half-percent in December 2013 to two and three-fourths percent (2 3/4%). This half-percent increase was effective on February 1, 2014. Blount County also raised its local option sales tax rate to two and three-fourths percent (2 3/4%) effective July 1, 2014. This action by the County superseded the City's rate increase.

PENSION PLANS

Employees of the City of Maryville are members of the Political Subdivision Pension Plan (PSPP), an agent multiple- employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using member's high five (5)-year average salary and years of service. Members become eligible to retire at the age of sixty (60) with ten (10) years of service or at any age with thirty (30) years of service. Reduced retirement benefits are available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after ten (10) years of service and members joining prior to July 1, 1979 were vested after four (4) years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-3 7 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Maryville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City attached hereto.

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GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF MARYVILLE, TENNESSEE

CITY OF MARYVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

Prepared By:

Deborah P. Caughron
City Director of Financial Services

CITY OF MARYVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

<u>SECTION ONE – INTRODUCTORY SECTION:</u>	<u>PAGE</u>
Letter of Transmittal	i – v
Certificate of Achievement for Excellence in Financial Reporting	vi
City Organizational Chart	vii
Principal Elected and Appointed Officials	viii
<u>SECTION TWO – FINANCIAL SECTION:</u>	
Independent Auditors' Report	ix – x
Management's Discussion and Analysis (required supplementary information)	xi -xx
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1 – 2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4 – 5
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7 – 8
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	10 – 18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Purpose School Fund	19
Statement of Net Position – Proprietary Funds	20 – 21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23 – 24
Notes to Financial Statements	25 – 71



December 18, 2015

Honorable Mayor, City Council and Citizens of the City of Maryville, Tennessee

We are pleased to present the comprehensive annual report for the fiscal year ended June 30, 2015.

This report was prepared in accordance with the Maryville City Charter and state statutes. It provides detailed information as to how the City receives, spends and accounts for its revenues, along with key indicators of financial strength. The City is responsible for the accuracy of the data and for the fairness and completeness of the presentation. We believe this document contains all information necessary to gain an understanding of the City's financial activities in fiscal year 2015. We encourage readers to consider this transmittal letter in conjunction with the annotated financial statements and Management's Discussion and Analysis ("MD&A"). The MD&A is a narrative introduction, overview and analysis of the financial statements.

This report includes all funds of the City of Maryville (primary government). The City has no financial accountability for any component units.

Demographics

Located approximately 15 miles southeast of Knoxville, Tennessee, the City of Maryville consists of 16.12 square miles and is the county seat of Blount County. The Townsend entrance to the Great Smoky Mountains National Park is also a 20 minute drive while the tourism destinations of Gatlinburg, Pigeon Forge and Dollywood are located in adjacent Sevier County.

With an estimated population of 28,476 residents in 2015, the City population has grown by approximately 9% in the last decade. The City is also home to Maryville College, a private, four year, undergraduate liberal arts institution with fall 2015 enrollment of 1,213 students. The statistical section of this report contains more detailed demographic information.

Governmental Structure

The governing authority consists of a five-member City Council elected at-large, with City Council selecting two of its own members to serve as Mayor and Vice-Mayor, respectively. The City Manager reports to the City Council and manages the daily operations of seven appointed operating department directors.

The City provides traditional government services, including police and fire protection, codes enforcement, street maintenance and refuse collection. In addition, the City provides water distribution services to 15,514 customers and wastewater collection services to 13,599 customers. Electric service is provided to another 22,149 customers. The service areas for Water, Wastewater and Electric utilities extend beyond the municipal boundaries of the City. The City also participates in inter-governmental agreements to fund a public library, parks & recreation commission and fine arts activities.

Maryville City Schools currently serves approximately 5,100 students in seven schools. The Schools are funded in part by annual transfers from the General Fund. In FY 2015, the City contributed \$9,307,500 to fund school operations. Principal and interest for school related debt is paid from the City's Debt Service Fund.

Economic Condition and Outlook

Similar to cities and counties throughout the country, the City of Maryville slowly recovered from the recession that began in 2008. Unemployment rates continue to decline and most major employers in the City and Blount County are considered stable. Below is a summation of these conditions:

- For September 2015, the unemployment rate for the City was 5.3% compared to a rate of 5.1% for Blount County and 5.7% statewide, according to the Tennessee Department of Labor and Workforce Development. The unemployment rate for the City has decreased 0.6% since October 2014.
- In December 2013, voters approved a referendum increasing the City's local option sales tax by 0.5% from 2.25% to 2.75%. Proceeds of the tax were distributed equally between public education and the City's General Fund effective February 1, 2014. For FY 2015, the additional local option sales tax funds were distributed in this manner. Following passage by referendum of the additional rate county-wide, the city-only tax increment of 0.5% ended June 30, 2015. The county-wide local sales tax rate of 2.75% to be distributed according to provisions of state law was effective 7/1/2015 (Fiscal Year 2016).
- The City and Blount County benefit from a stable employer base. Denso Manufacturing Tennessee, Inc., the largest employer in Blount County and the City with 3,400 full time employees, has been a leading source of jobs since 1988. The County's second largest employer, Blount Memorial Hospital, with 2,441 full time employees, is also located primarily within the City of Maryville. The County's employment is not heavily concentrated by a single employer with the largest 24 employers representing 34% of all employment.
- The Taxable Digest of \$844 million reflects an increase of \$33.8 million from the previous year. Assessed Real Property, including both residential and commercial/industrial categories, increased by \$9 million to \$695.6 million. Assessed value of Personal Property increased by 21.3%, or \$23.6 million, to \$134.8 million and the assessment for Public Utilities increased by 9.3%, or \$1.1 million, to \$12.9 million.
- Total General Fund Revenues excluding in-lieu-of-tax payments increased by \$2,874,207, or 8.8%, to \$35,669,557 from FY 2014 to FY 2015. Of this amount, \$1,660,996 was due to the increase in the local option sales tax rate approved by voters in December 2013 and effective with sales beginning February 1, 2014.

Major Initiatives

This section highlights some of the major initiatives completed or underway in FY 2015.

School Improvements

A. Secure Entries

In an effort to address entrance security issues in all Maryville City schools, the school district committed to major improvements that were completed in the summer of 2015. This multi-year initiative included the following:

- a. 2013 – Maryville Jr. High School – total redesign of front office space and entry, routing visitors through the front office before entering the school.
- b. 2013 – Montgomery Ridge Intermediate – one of our newer schools (2001), required some redesign at the entrance to redirect traffic through the front office.
- c. 2014 – Maryville High School – new main lobby, remodeling, and secure entrance added to the front of the building.
- d. 2015 – John Sevier Elementary – moved office space from the center of the building to the main entrance and constructed a system of doors requiring visitors to pass through the office to enter the building.
- e. 2015 – Sam Houston Elementary – moved the office space to better utilize the existing footprint, while securing the entrance and modernizing the entry. This project also significantly improved vehicle traffic flow for the campus.
- f. 2015 – Foothills Elementary – added divided wall entrance to force visitors through the office and remodeled the office space for greater visibility and efficiency.

B. iReach – Digital Conversion

- a. In 2015, the school district successfully deployed either a laptop or iPad to every student in grades PreK-12. Students and staff in grades 5-12 utilize Dell laptop's and Apple iPad's are utilized in grades PreK-4. Initial deployment of devices was completed in the summer of 2015 before the start of the 2015-16 school year.

School Improvements (Continued)

B. iReach – Digital Conversion (Continued)

- b. During the spring and summer of 2015, technology infrastructure improvements included adding 425 wireless WiFi access points on seven campuses in support of iReach. This project cost was \$325,000.
- c. While devices and infrastructure represent significant financial commitments, a full understanding of this initiative must include our commitment to professional development. Technology is an ever-changing world that requires training and collaboration – dictating both a commitment in time and a pledge for continuous investments in personnel training to support a technology-enabled learning environment.

Water and Wastewater System Improvements

The Water and Sewer Department completed several large water and wastewater projects in fiscal year 2015. Listed below are highlights:

1. Sewer Rehabilitation and Relocation work was completed in the Browns Creek drainage area for \$399,510 as well as Lincoln Rd/Wildwood Area, Foch Street, S. Cedar Street and in other various areas for \$94,577. Sewer service and manhole replacements were completed system-wide for a cost of \$218,731.
2. The ongoing Sanitary Sewer Evaluation Survey (SSES) included design work for rehabilitation work in the Wilkinson basin, to take place in FY16, and investigation work in the A1/Browns basin for a total of \$278,424.
3. A sewer extension project began between Country Meadows and Montvale pump stations, ultimately eliminating one of the stations. Construction costs totaled \$148,797 during the fiscal year. The project will be completed in FY 16.
4. Water distribution system replacement and relocations took place near McGinley, Foch, South Cedar Streets and various other locations including some valve program work for a total of \$399,488. A consultant was hired to complete a water system leak survey for \$55,948. Additionally, work was completed to eliminate some dead end lines within the water system for a total cost of \$166,020.
5. New residential and commercial services were installed for both water and sewer at a cost of \$161,181 and \$69,583, respectively. Additionally, \$28,883 was spent to purchase meters and continue the meter maintenance program.
6. The Department replaced several pieces of heavy equipment, including a tandem dump truck and a pump station maintenance truck. Sale of surplus equipment resulted in revenue of \$69,101 and purchases were \$334,356 for a net expense of \$265,255.

Electric System Improvements

The Electric Department completed or began several significant projects in FY 2015. Listed below are highlights:

1. Replaced a bucket truck and a pickup that were scheduled for retirement and purchased a new bucket truck primarily for traffic signal operations in the amount \$378,583.
2. Began implementation of our remote communications system for our metering network (AMI) for cost of \$457,088.
3. Installed new underground facilities in the amount of \$170,567.
4. Replaced underground facilities in the amount of \$697,343 that included Oxford Hills, Stonecrest, and Wimbledon subdivisions, and other various locations.
5. Installed new overhead facilities in the amount of \$70,121.
6. Improved or replaced existing overhead facilities in the amount of \$730,454. This included Walker Circle, Pinedale, South Ruth, Oak Park, and other various locations.

Electric System Improvements (Continued)

7. Began implementation of a voltage management program that will allow us to manage our peak demand. FY 2015 expense was \$60,831.
8. Installed one new traffic signal and replaced an existing signal for the amount of \$408,718.

Engineering & Public Works Improvements

The Engineering and Public Works Department completed several projects in FY 2015 in the areas of Engineering, Transportation, Grounds, Solid Waste and Stormwater Management. Highlights include:

1. Intersection Improvements to U.S. 321 (W. Lamar Alexander Parkway) at Watkins Road – This project consisted of construction of a westbound left turn lane for S. Watkins Road and replacement of traffic signal mast arm to accommodate the left turn displays. Project costs were \$55,319 for the road work and approximately \$37,500 for the signal work.
2. Intersection Improvements on U.S. 129 (S.R.115) at Mall Road – This project included changing the right-in-right-out-only access to full access, installation of a traffic signal at the intersection, and reconstruction of the intersection of Mall Road, N. Plaza Drive, and the south entrance to Foothills Mall with a roundabout. This project was completed in May 2015 for a total cost of \$1,444,302, excluding expenses related to utility work.
3. Traffic Signal Improvements – Three traffic signals were upgraded with LED displays and/or pedestrian displays. This brings all 45 signals in the City up to LED.
4. Foch Street Drainage Improvements – This project addressed one of the most frequent flooding problems in the City. It involved the replacement of a 48-inch culvert with a 36-ft by 9-ft arch metal bridge. The failed pipe was causing significant road subsidence. The cost of the work was \$440,760.
5. Drainage Improvements at U.S. 321 and Home Avenue property – Replaced approximately 127 feet of failed metal pipe with 127 feet of 36-inch concrete pipe. This was directly adjacent to a building, and the failing pipe and work required some building repair. The pipe work cost was \$49,085, and the building repair was \$95,000.
6. Sidewalk Improvements – This project included the completion of Phase 2 for a sidewalk connection from Coulter Grove School to John Sevier School. It consisted of 1,160 feet of sidewalk on Elm Drive and Brentwood Drive. The cost of the work was approximately \$27,400.
7. The City of Maryville Solid Waste division responded to the Winter Storm in February 2015 by collecting over twice the amount of brush damage in March and April than is typical for those months. This required large amounts of resources through personnel and equipment. We have applied for reimbursement from the Tennessee Emergency Management Association.

Financial Information

Internal Controls

City management maintains internal accounting controls to ensure that the City's assets are protected from loss, theft, or misuse and that adequate accounting records allows financial statements to conform with generally accepted accounting principles. Since the costs of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute assurances that the financial statements will be free from material misstatements.

Budgetary Controls

Sound financial management and legal compliance require compliance with budget controls. The Maryville City Charter and state statutes require the City to operate under an annual balanced budget adopted by local ordinance. Within each fund, expenditures may not legally exceed appropriations at the department (cost center) level.

Budgetary Controls (Continued)

In accordance with Article IX Section 3 of the Maryville City Charter, the City Manager shall submit the proposed budget to City Council at least forty-five days before the beginning of the fiscal year. The City Council reviews the budget, holds a required public hearing and adopts the annual budget with two required readings prior to the beginning of the fiscal year. Coordination of the budget process and ongoing management of the adopted budget is delegated by the City Manager to the Director of Management and Budget and the Department of Financial Services.

Other Information

Independent Audit

The financial statements are prepared in compliance with governmental-reporting standards issued by the Governmental Accounting Standards Board, guidelines issued by the Government Finance Officers Association of the United States and Canada, and generally accepted accounting principles applicable to government entities. The Maryville City Charter and state statutes require an annual audit by independent Certified Public Accountants. The accounting firm of Ingram, Overholt & Bean, PC, serves as independent auditor to the City of Maryville. The auditor's report on the combined financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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 Maryville for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

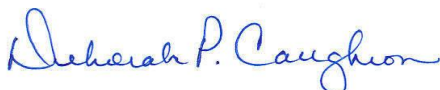
Acknowledgements

This document is made possible by the commitment of the staff of the Department of Financial Services. We recognize and appreciate the willingness of each City department that provided information for this document. We also wish to express our sincere appreciation to the staff of Ingram, Overholt & Bean, PC, for their technical expertise and to City Council for their support and leadership in planning and conducting the City's financial activities.

Respectfully submitted,



Greg S. McClain
City Manager



Deborah P. Caughron
Director of Financial Services



Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial
Reporting

Presented to

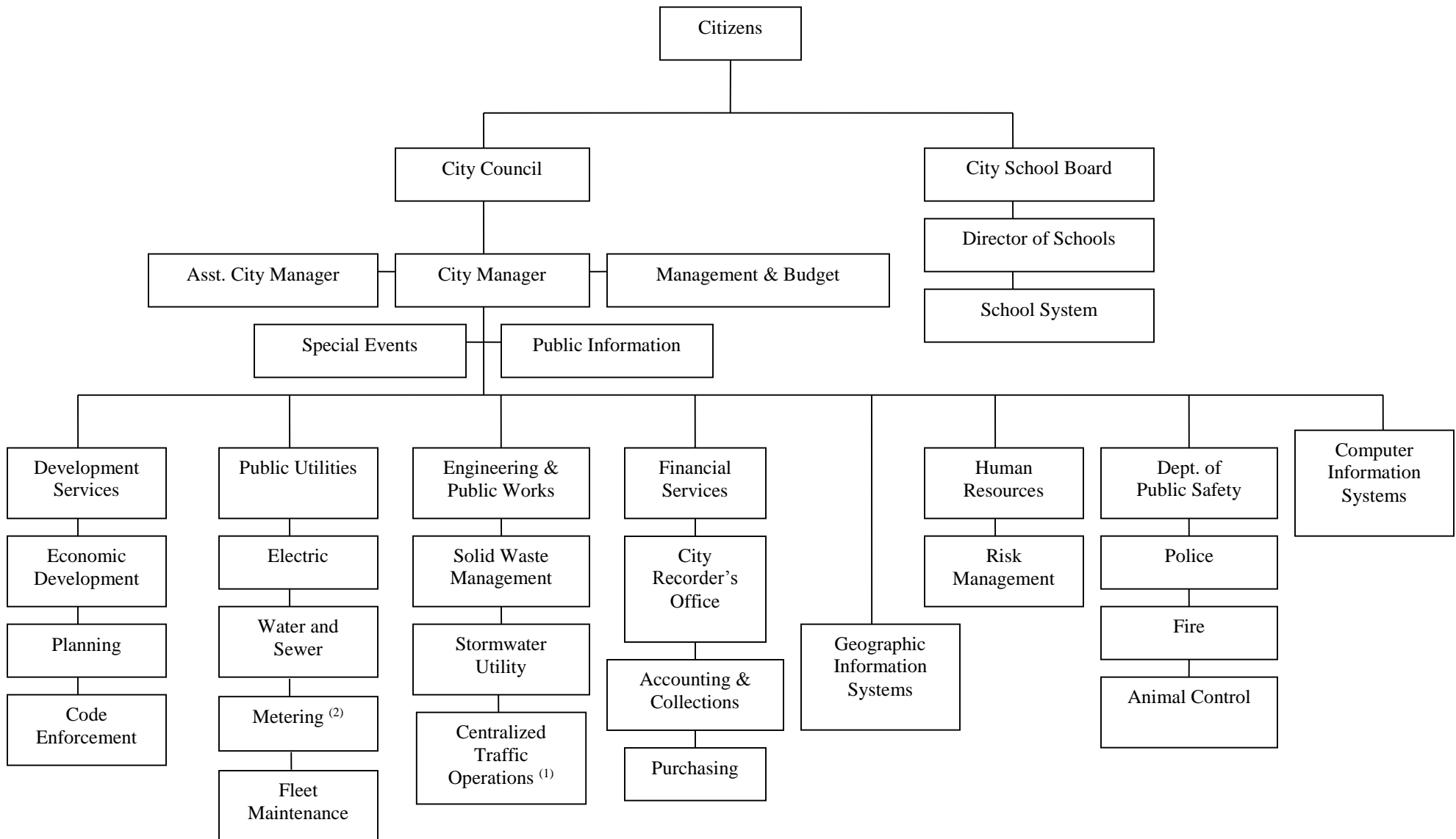
City of Maryville Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF MARYVILLE, TENNESSEE
Organizational Chart as of 6/30/15



⁽¹⁾Centralized Traffic Operations established July 2012

⁽²⁾Metering established July 2014

Principal Elected and Appointed Officials

I. City Council

- A. Tom Taylor..... Mayor
- B. Andy White Vice-Mayor
- C. Tommy Hunt Councilman
- D. Fred Metz Councilman
- E. Joe Swann..... Councilman

II. City School Board

- A. Christi Sayles..... Member
- B. Doug Jenkins Chairman
- C. Bethany Pope..... Vice-Chairman
- D. Candy Morgan..... Secretary
- E. Bob Proffitt..... Member

III. City Administration

- A. Greg McClain..... City Manager
- B. Roger D. Campbell..... Assistant City Manager
- C. Kristine Tallent..... Director of Management & Budget

IV. City School Administration

- A. Dr. Mike Winstead Director of Maryville City Schools
- B. Rick Wilson..... Assistant Director of Maryville City Schools

V. Judicial/Legal Services

- A. William Yarborough City Judge
- B. Betsy Smith City Juvenile Judge
- C. Michael Fox Assistant City Judge
- D. David Black..... City Attorney (1)

VI. Department Heads

- A. Teresa Best Director of Human Resources
- B. Deborah Caughron Director of Financial Services/City Recorder
- C. Tony Crisp..... Director of Public Safety
- D. John Jagger..... Director of Development Services
- E. Angela Luckie Director of Engineering & Public Works
- F. Terry McCoy Director of Information Technology
- H. Baron Swafford Public Utility Director

(1) Per contractual agreement



Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of
the City Council,
and City Manager
City of Maryville
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maryville, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maryville, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1(S) to the financial statements, in 2015 the City adopted a new accounting guidance, GASB No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. Our opinion is not modified with respect to this matter.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages xi through xx and required supplementary schedules on pages 72 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Maryville, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, enterprise fund schedules, capital asset schedules, other miscellaneous schedules, statistical section, and the schedule of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133I *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, enterprise fund schedules, capital asset schedules, other miscellaneous schedules, statistical section and the schedules of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, enterprise fund schedules, capital asset schedules, other miscellaneous schedules, statistical section and the schedules of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 18, 2015, on our consideration of the City of Maryville, Tennessee'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 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 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 of Maryville, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 18, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Maryville's Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Overview of the Financial Statements

The City's basic audited financial statements comprise three components: (1) Government-wide financial statements; (2) Fund financial statements; and (3) Notes to the financial statements. This section also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting. All governmental and business-type activities are combined to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement combines the governmental fund's current financial resources (short-term) with capital assets and long term liabilities. The reader should recall that prior to the implementation of GASB Statement 34, capital assets and long term liabilities were excluded from an entity's balance sheet and instead presented within the General Fixed Asset and General Long Term Debt Account Groups.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. The format of this statement is very different from a traditional "income statement". The format is intended to portray the extent to which governmental activities are funded by taxes and the extent to which business-type activities are supported by the revenues they generate. The statement presents all underlying events giving rise to the changes in net assets, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Each of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police and fire services, public works, development services, schools and general government activities. The business-type activities of the City include Water & Wastewater, Electric and Stormwater utilities.

The government-wide financial statements can be found beginning on page 1 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Maryville, similar to other state and local governments, uses fund accounting

to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Maryville can be divided into two categories: **governmental** funds and **proprietary** funds. The City of Maryville does not have any funds of the fiduciary fund type.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is more limited 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 financial 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.

The City maintains several individual governmental funds organized according to their type: General, Special Revenue, Capital Projects and Debt Service. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, General Purpose School and Debt Service, which are all considered as Major Funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the combining statements elsewhere in the report.

During the fiscal year ending June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*, as discussed in Note 1 on page 34. As a result, fund balance classifications in the governmental fund financial statements reflect the five new classifications under GASB 54.

During the fiscal year ending June 30, 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Both statements further define the reporting of deferred outflows and inflows of resources and require retroactive application by restating financial statements as necessary.

The City implemented GASB Statement 68 (Accounting and Financial Reporting for Pensions) for the fiscal year ending June 30, 2015. With the new reporting requirement, the City is allocated its proportionate share of the Tennessee Consolidated Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance has occurred in funds that carry defined benefit pension obligations, including, but not limited to, the General Fund, General Purpose School Fund, the three utility funds and certain internal service funds. Decisions regarding the investment decisions of the assets held by the Tennessee Consolidated Retirement System ("TCRS") are made by the administrators of the pension plan, not by the City's management.

The City adopts an annual appropriated budget for its general, special revenue and debt service funds. A budgetary comparison statement has been provided for the General Fund and General Purpose School Fund, with statements beginning on pages 10 and 19, respectively.

Proprietary Funds

The City maintains two types of proprietary funds. **Enterprise** funds are used to account for quasi-business functions where revenues typically are generated from charges or fees rather than taxes. The City uses enterprise funds to account for its Electric, Water and Wastewater and Stormwater activities. The City uses **Internal Service** funds to account for its group self-insurance, worker's compensation, fleet, information technology services and facility management. The internal services funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is presented in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found beginning on page 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 25 of this report.

Financial Highlights

- The City's total assets exceeded its liabilities at June 30, 2015, by \$167,634,445 (net position). Of this amount, \$22,613,373 (unrestricted position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$29,470,645, an increase of \$2,377,014 in comparison with the prior year. Of this amount, \$7,823,581 remains in the General Fund as unassigned and \$7,940,344 is assigned within the General Purpose School Fund for total fund balances at the lowest level of control of \$15,763,925. For the prior year, combined fund balances within the General Fund and General Purpose School Fund were \$13,720,060, for a difference of \$2,041,865.
- At June 30, 2015, the City's General Fund reported an unassigned fund balance of \$7,823,581, an increase of \$1,578,837 from last fiscal year. The total Assigned and Unassigned Fund Balance for General Fund was \$8,720,364, an increase of \$925,565. The difference year over year is a decrease in Assigned Fund Balance from \$1,550,055 to \$896,783 due to a decreased use of fund balance in the next fiscal year's budget. Unassigned fund balance of 6/30/2015 is approximately 21.6% of total general fund expenditures, including transfers to schools, debt service and other operations for FY 2015.
- At June 30, 2015, the City's General Purpose School Fund reported an assigned fund balance of \$7,940,344, an increase of \$1,013,028 from last fiscal year. Assigned fund balance is approximately 17.2% of total fund expenditures for FY 2015. Tennessee State Law requires schools to maintain a minimum fund balance of 3% (TCA 49-3-352).
- The capital project to construct a secure entry to Maryville High School was completed in FY 2015 and a secondary project for secure entries to the three elementary schools began late in the fiscal year. The total FY 2015 expense for school capital projects was \$372,229.

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$167,634,445 at the close of the most recent fiscal year. This amount represents an increase of \$74,112, or <1% over FY 2014. As noted in an earlier section of this report, GASB Statement 68 (Accounting and Financial Reporting Related to Pensions) has been implemented for FY 2015. Pension Deferrals in the amount of \$4,501,362 is now shown as a Deferred Outflow of Resources and a \$12,802,654 Deferred Revenue as a Deferred Inflow of Resources.

Net Position June 30, 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Current and other Assets	\$ 60,028,295	\$ 54,064,280	\$ 25,913,525	\$ 26,912,120	\$ 85,941,820	\$ 80,976,400
Capital Assets (Net)	<u>134,801,843</u>	<u>136,117,154</u>	<u>136,075,434</u>	<u>133,392,759</u>	<u>270,877,277</u>	<u>269,509,913</u>
Total Assets	194,830,138	190,181,434	161,988,959	160,304,879	356,819,097	350,486,313
Deferred Outflows of Resources:						
Pension Deferrals	<u>3,992,414</u>	-	<u>508,948</u>	-	<u>4,501,362</u>	-
Long-Term Liabilities	89,351,933	92,275,055	55,390,522	57,388,616	144,742,455	149,663,671
Other Liabilities	<u>6,935,579</u>	<u>5,836,305</u>	<u>9,886,040</u>	<u>9,378,457</u>	<u>16,821,619</u>	<u>15,214,762</u>
Total Liabilities	<u>96,287,512</u>	<u>98,111,360</u>	<u>65,276,562</u>	<u>66,767,073</u>	<u>161,564,074</u>	<u>164,878,433</u>

Net Position (Continued)
June 30, 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Deferred Inflows of Resources:						
Deferred Revenue	19,197,281	18,047,547	122,005	-	19,319,286	18,047,547
Pension Deferrals	<u>11,377,051</u>	<u>-</u>	<u>1,425,603</u>	<u>-</u>	<u>12,802,654</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>30,574,332</u>	<u>18,047,547</u>	<u>1,547,608</u>	<u>-</u>	<u>32,121,940</u>	<u>18,047,547</u>
Net Position:						
Net Investment in Capital Assets	51,401,298	48,939,854	83,526,202	78,694,922	134,927,500	127,634,776
Restricted	10,093,572	10,845,846	-	-	10,093,572	10,845,846
Unrestricted	<u>10,465,838</u>	<u>14,236,827</u>	<u>12,147,535</u>	<u>14,842,884</u>	<u>22,613,373</u>	<u>29,079,711</u>
Total Net Position	<u>\$ 71,960,708</u>	<u>\$ 74,022,527</u>	<u>\$ 95,673,737</u>	<u>\$ 93,537,806</u>	<u>\$ 167,634,445</u>	<u>\$ 167,560,333</u>

The largest portion of the City's net position (80%) at June 30, 2015, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not easily or quickly available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not planned to be used to liquidate these liabilities.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$22,613,373 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities experienced an increase of 5.0% year over year for Net Investment in Capital Assets. Business-Type Activities experienced an increase of 6.1% year over year for Net Investment in Capital Assets. This change resulted primarily from additions to Water and Sewer, Electric and Stormwater utilities Plant-in-Service.

The City is able to report positive balances in all three categories of net position for activities of the primary government.

Changes in Net Position
June 30, 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 4,800,952	\$ 4,522,556	\$ 82,269,022	\$ 81,571,113	\$ 87,069,974	\$ 86,093,669
Operating Grants and Contributions	22,873,038	23,187,037	-	-	22,873,038	23,187,037
Capital Grants and Contributions	594,673	149,271	541,280	157,413	1,135,953	306,684
General Revenues:						
Sales Taxes	18,258,885	15,207,831	-	-	18,258,885	15,207,831
State Income Taxes and Excise Taxes	537,456	536,887	-	-	537,456	536,887
Property Taxes	28,462,845	27,561,747	-	-	28,462,845	27,561,747
Business Taxes	1,044,938	782,339	-	-	1,044,938	782,339
Miscellaneous Taxes	3,005,430	3,025,884	-	-	3,005,430	3,025,884
In-Lieu of Taxes	1,036,489	852,795	-	-	1,036,489	852,795
Investment Earnings	256,400	217,444	14,813	14,732	271,213	232,176
Miscellaneous Revenues	1,817,076	1,681,975	8,400	8,400	1,825,476	1,690,375
Gain on Deletion of Capital Assets	<u>48,583</u>	<u>28,668</u>	<u>69,101</u>	<u>30,983</u>	<u>117,684</u>	<u>59,651</u>
Total Revenues	<u>82,736,765</u>	<u>77,754,434</u>	<u>82,902,616</u>	<u>81,782,641</u>	<u>165,639,381</u>	<u>159,537,075</u>

(Continued)

Changes in Net Position (Continued)
June 30, 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Expenses						
General Government	4,819,297	4,560,452	-	-	4,819,297	4,560,452
Public Safety	8,724,154	8,978,223	-	-	8,724,154	8,978,223
Public Works	7,114,555	6,914,370	-	-	7,114,555	6,914,370
Culture and Recreation	3,312,723	3,136,157	-	-	3,312,723	3,136,157
Economic Development	18,059	18,193	-	-	18,059	18,193
Education	49,261,478	50,848,054	-	-	49,261,478	50,848,054
Interest on Long-Term Debt	2,567,148	2,493,886	-	-	2,567,148	2,493,886
Other Debt Service	200,463	25,841	-	-	200,463	25,841
Electric	-	-	63,780,518	62,625,738	63,780,518	62,625,738
Water and Sewer	-	-	13,027,635	13,008,449	13,027,635	13,008,449
Stormwater Utility	-	-	<u>1,039,904</u>	<u>1,090,652</u>	<u>1,039,904</u>	<u>1,090,652</u>
Total Expenses	<u>76,017,877</u>	<u>76,975,176</u>	<u>77,848,057</u>	<u>76,724,839</u>	<u>153,865,934</u>	<u>153,700,015</u>
Excess of Revenues Over Expenses before Transfers	6,718,888	779,258	5,054,559	5,057,802	11,773,447	5,837,060
Transfers – In Lieu of Tax Payments	<u>1,192,314</u>	<u>1,472,437</u>	<u>(1,192,314)</u>	<u>(1,472,437)</u>	-	-
Change in Net Position	7,911,202	2,251,695	3,862,245	3,585,365	11,773,447	5,837,060
Net Position at Beginning of Year	74,022,527	71,770,832	93,537,806	89,952,441	167,560,333	161,723,273
Prior Period Adjustment	<u>(9,973,021)</u>	-	<u>(1,726,314)</u>	-	<u>(11,699,335)</u>	-
Net Position at End of Year	<u>\$ 71,960,708</u>	<u>\$ 74,022,527</u>	<u>\$ 95,673,737</u>	<u>\$ 93,537,806</u>	<u>\$ 167,634,445</u>	<u>\$ 167,560,333</u>

Analysis of Change in Net Assets

Governmental Activities

- Governmental activities decreased the City’s governmental net assets by \$2,061,819, due primarily to reporting requirements of GASB Statement 68. The Change in Net Position before the restatement for GASB Statement 68 was an increase of \$7,911,202.
- Revenue increased by 6.4%, or \$4,982,331, to \$82,736,765. The City’s largest revenue category, property taxes, increased by \$901,098, or 3.3%. Sales taxes increased by \$3,051,054 year over year, an increase of 20.1%.
- The City’s local option sales tax rate was increased from 2.25% to 2.75% effective February 1, 2014. FY 2015 was the first year in which the additional sales tax was collected for a full 12 month period, resulting in the 20% year over year increase. For FY 2014 and FY 2015, sales taxes generated by the additional 0.5% were shared equally by the City’s General Fund and General Purpose School Fund. Beginning 7/1/2015, the proceeds of the additional tax designated for education will be remitted by the State Department of Revenue to the Blount County Trustee for allocation to all three school systems located within the County in accordance with average daily attendance percentages. Consequently, the City expects reduced local option sales tax revenues for education in FY 2016 as compared to revenue collections for FY 2015.
- Expenses decreased by 1.2%, or \$957,299, due primarily to decreases in Education of \$1,586,576.

Analysis of Change in Net Assets (Continued)

Business-Type Activities

- Business-type activities increased the City's business-type net position by \$2,135,931, which includes a GASB Statement 68 restatement reduction of \$1,726,314. (It should be noted that the Business-Type activities in total have a lower GASB 68 restatement than General Fund due to the fewer number of employees eligible for the defined benefit retirement plan. Employees hired prior to July 1, 1988, are eligible for a defined contribution retirement plan not subject to GASB Statement 68 reporting.) The Change in Net Position before the restatement for GASB Statement 68 was an increase of \$3,862,245.
- The Electric Utility, the largest business-type activity of the City with FY 2015 operating revenues of \$66,049,665 and expenses of \$63,522,291, experienced increased revenues and expenses from the prior year. Purchased Power expense for the utility increased by \$1,029,903, or 1.9% year over year. Purchased Power expense as a % of Charges for Service increased from 84.70% in FY 2014 to 85.5% in FY 2015.
- The Water and Sewer Fund concluded FY 2015 with a change in net position of \$1,923,183 compared to \$1,934,933 in the previous year. Operating revenues decreased by \$73,006, or <1%, to \$14,832,003 while expenses increased by \$86,929, or <1%, to \$10,805,393. The most recent Water and Wastewater rate increase was effective January 1, 2013. There was no rate increase for FY 2015 nor is one expected for FY 2016.
- The Stormwater Utility finished the fiscal year with operating revenues of \$1,387,354 and operating expenses of \$1,039,904. The fund ended the fiscal year with a net position of \$2,553,951.
- Total Business-Type Activities contributed transfers-in-lieu of tax payments of \$1,192,314 compared to \$1,472,437 in FY 2014.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. As of June 30, 2015, unassigned fund balance of the General Fund was \$7,823,581. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, including General Fund transfers. Unassigned fund balance represents 21.6% of total general fund expenditures.

The General Purpose School Fund is the primary operating fund for the Maryville City Schools. As of June 30, 2015, the assigned fund balance of the General Purpose School Fund was \$7,940,344. Assigned fund balance represents 17.2% of total general purpose school fund expenditures. The City's contribution from General Fund for operating support of the schools remained unchanged since FY 2009 at \$9,307,500.

The Debt Service Fund is used to pay principal and interest for debt issued for City and School-related projects, not including self-supporting debt issued for capital improvements to the Water & Wastewater and Electric Utilities. In FY 2015, primary revenues to the Debt Service Fund were a transfer from General Fund and contributions from Maryville College related to payment of debt issued for construction of the Civic Arts Center. The assigned fund balance of the Debt Service Fund as of June 30, 2015, was \$8,025,226, an increase of \$14,332 from the prior year.

Schedules for Other Non-Major Governmental Funds are also found in this report.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Electric Utility as of June 30, 2015 was \$38,894,690, an increase of \$395,203 from the prior year. Operating income for the utility decreased from \$2,930,347 in FY 2014 to \$2,527,374 in FY 2015. Charges for services increased by 1.0% and purchased power costs increased by 1.9% year over year. The restatement for GASB 68- Pension Reporting- was (\$896,409).

Net position of the Water and Sewer Department as of June 30, 2015, was \$54,225,096, an increase of \$1,260,748 from June 30, 2014. Operating income for the utility decreased from \$4,186,545 in FY 2014 to \$4,026,610 for FY 2015. Capital Contributions (Non-Cash) increased from \$157,413 for FY 2014 to \$541,280 in FY 2015.

Net position of the Stormwater Utility as of June 30, 2015 was \$2,553,951. Operating income for the utility decreased slightly from \$301,394 in FY 2014 to \$347,450 for FY 2015.

General Fund Budgetary Highlights

The final budget increased the original appropriation by \$1,313,993 to \$36,572,164 (excluding Animal Control and Solid Waste operations). Moreover, the final budget removed an amended use of fund balance of \$1,550,055.

On the appropriation side, management continued to closely monitor spending throughout the fiscal year and most cost centers operate through use of a detailed budget document. Departments continued to identify savings within line items where possible.

Three operating cost centers- Finance, Public Works- Streets and Public Works-Street Lighting- exceeded their original budgets. The final budget for Finance was increased by \$33,028 to account for unanticipated expenses related to the Tax Year 2015 county property reappraisal process. The revised budget for the Finance cost center was \$448,556.

The final budget for Public Works- Streets was increased by \$11,272 to account for higher than anticipated overtime expenses. The revised budget for the Public Works- Streets cost center was \$991,004.

Expenses for Public Works-Street Lighting were increased by \$102,573 to account for actual expense of \$702,576.

The final ordinance also appropriated additional transfers to the Debt Service (\$475,000), Stormwater (\$300,000) and City Grant (\$28,480) Funds.

Below is a listing of the changes to the General Fund budget for FY 2015.

- Net Change in Multiple Revenue Line Items, including Use of Fund Balance - \$463,994
- Increase in Finance- \$33,028
- Increase in Public Works- Streets - \$11,272
- Increase in Public Works- Street Lighting- \$102,576
- Increase in Transfer of Funds- \$793,563
- Decrease in Multiple Departments- (\$476,446)

Capital Asset and Debt Administration

Capital Assets as of June 30, 2015
Net of Depreciation

Capital Assets	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Land	\$ 6,680,451	\$ 6,680,451	\$ 1,991,080	\$ 1,991,080	\$ 8,647,531	8,647,531
Right-of-Way/Easements	122,130	122,130	-	-	122,130	122,130
Construction in Progress	1,285,806	450,706	3,563,556	2,283,609	4,849,362	2,734,315
Buildings	101,004,058	101,004,058	-	-	101,004,058	101,004,058
Improvements	25,064,136	23,608,522	-	-	25,064,136	23,608,522
Infrastructure	18,831,280	18,802,800	-	-	18,831,280	18,802,800
Machinery, Equipment and Vehicles	19,124,340	17,511,118	-	-	19,124,340	17,511,118
Capital Lease Property	24,466,663	24,466,663	-	-	24,466,663	24,466,663
Electric Plant	-	-	68,850,484	65,550,731	68,850,484	65,550,731
Water & Wastewater Plant	-	-	126,695,517	124,607,484	126,695,517	124,607,484
Stormwater Utility	-	-	2,967,941	2,080,150	2,967,941	2,080,150
Utility Plant Acquisition Costs	-	-	<u>162,770</u>	<u>162,770</u>	<u>162,770</u>	<u>162,770</u>
Total Capital Assets	196,578,864	192,646,448	204,231,348	196,675,824	400,810,212	389,322,272
Less: Accumulated Depreciation	<u>61,777,021</u>	<u>56,529,294</u>	<u>68,155,914</u>	<u>63,283,065</u>	<u>129,932,935</u>	<u>119,812,359</u>
Net Capital Assets	<u>134,801,843</u>	<u>136,117,154</u>	<u>136,075,434</u>	<u>133,392,759</u>	<u>270,877,277</u>	<u>269,509,913</u>
Net Capital Assets-Beginning	136,117,154	138,737,822	133,392,759	132,770,086	269,509,913	271,507,908
Increase (Decrease) in Net Capital Assets	<u>(1,315,311)</u>	<u>(2,620,668)</u>	<u>2,682,675</u>	<u>622,673</u>	<u>(1,367,364)</u>	<u>(1,997,995)</u>
Net Capital Assets- Ending	<u>\$ 134,801,843</u>	<u>\$136,117,154</u>	<u>\$136,075,434</u>	<u>\$ 133,392,759</u>	<u>\$270,877,277</u>	<u>\$269,509,913</u>

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounts to \$270,877,277 net of accumulated depreciation, an increase of less than 1%, or \$1,367,364, year over year.

Total capital assets in the Governmental Activities category increased by \$3,932,416 while accumulated depreciation also increased by \$5,247,727, thereby resulting in a decrease in net capital assets of \$1,315,311. Significant additions to governmental assets between FY 2014 and FY 2015 were road improvements near Foothills Plaza in the amount of \$1.4 million, not including utility expenses, and a secure entry for Maryville High School in the amount of \$439,561. Construction in Progress as of 6/30/15 includes secure entries for Maryville elementary schools in the amount of \$470,000 and improvements to John Sevier Pool for \$250,000.

In the Business-Type Activities, there is an increase in Electric Plant assets of \$3,299,753. Water & Wastewater Plant assets increased by \$2,088,033 and Stormwater Utility assets rose by \$887,791. For both the Water and Sewer and Electric Departments, equipment replacement was a significant part of the FY 2015 Capital Asset program. In total, the two major utilities were scheduled to replace equipment in the amount of \$682,799.

Please refer to Note 6 beginning on page 44 of the report for further information regarding capital assets.

Long-Term Debt

**Outstanding Long-Term Obligations
June 30, 2015**

Debt	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
General Obligation/Rev Bonds	\$ 45,790,000	\$ 47,340,000	\$ 50,130,000	\$ 52,120,000	\$ 95,920,000	\$ 99,460,000
Public Improvement Loans	2,325,000	2,720,000	-	-	2,325,000	2,720,000
TN State School Bond Authority Loan	12,976,847	14,144,946	-	-	12,976,847	14,144,946
TN State Revolving Fund Loans	-	-	1,915,788	2,015,856	1,915,788	2,015,856
Capital Lease Obligations	20,593,645	21,254,792	-	-	20,593,645	21,254,792
Premium on Bonds	<u>1,715,053</u>	<u>1,717,562</u>	<u>503,444</u>	<u>561,981</u>	<u>2,218,497</u>	<u>2,279,543</u>
Total Debt Payable	83,400,545	87,177,300	52,549,232	54,697,837	135,949,777	141,875,137
Compensated Absences	1,643,327	1,555,239	1,664,000	1,639,514	3,307,327	3,194,753
Net OPEB Obligation	<u>4,308,061</u>	<u>3,542,516</u>	<u>1,177,290</u>	<u>1,051,266</u>	<u>5,485,351</u>	<u>4,593,782</u>
Total Long Term Obligations	<u>\$ 89,351,933</u>	<u>\$ 92,275,055</u>	<u>\$ 55,390,522</u>	<u>\$ 57,388,617</u>	<u>\$ 144,742,455</u>	<u>\$ 149,663,672</u>

As of June 30, 2015, the City had total bonded debt outstanding of \$81,683,492, comprised of general obligation debt backed by its full faith and credit pledge excluding original issue premium. In addition, the City is obligated for another \$52,045,788 in revenue debt issued for the Water & Wastewater and Electric utilities, excluding original issue premium. These revenue bonds, while carrying the credit support of the City's general obligation pledge, are repaid from net revenues of the appropriate utility.

On August 24, 2014, Standard & Poor's upgraded the City's General Obligation long term and underlying bond rating from AA- to AA. Standard & Poor's affirmed the AA rating/Stable outlook on April 6, 2015. The City's bond rating as assigned by Moody's Investors Service remains Aa3. See Note 7 beginning on page 46 for additional details.

The Charter of the City of Maryville limits the issuance of general obligation debt up to an amount that will not exceed fifteen percent (15%) of the total assessed value of the incorporated area. The current debt limitation for the City is \$126,655,899 compared to the City's outstanding debt net of fund balance held in the Debt Service Fund of \$72,708,957. The legal debt margin is \$53,946,942. See Schedule 12 on page 161 in the Statistical Section of the report for additional details.

In FY 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires public sector employers to expense the cost of other (i.e. non-pension) employment benefits (OPEB) over the service years of their employees. The net OPEB obligation is the net amount for which the City would be obligated. The net OPEB obligation is equivalent to the annual OPEB cost, which is the OPEB expense for the year on the accrual basis of accounting, less estimated retiree claims currently paid by the City on a pay-as-you-go basis. The City's net OPEB obligation, including Schools, at June 30, 2015 was \$5,485,351. Please see Note 9 beginning on page 59 for additional details.

The FY 2016 Budget

Highlights of the FY 2016 Budget include:

- A General Fund Appropriation Budget of \$37,765,249, an increase of \$2,151,578, or 5.7%, from the amended FY 2015 Budget of \$35,613,671.
- The FY 2016 General Fund Budget maintains the property tax rate of \$2.17 per \$100 of assessed valuation. For a residence valued at \$150,000, City property taxes for FY 2016 remain \$814, or \$68 per month.

The FY 2016 Budget

Highlights of the FY 2016 Budget include:

- A General Fund Appropriation Budget of \$37,765,249, an increase of \$2,151,578, or 5.7%, from the amended FY 2015 Budget of \$35,613,671.
- The FY 2016 General Fund Budget maintains the property tax rate of \$2.17 per \$100 of assessed valuation. For a residence valued at \$150,000, City property taxes for FY 2016 remain \$814, or \$68 per month.
- The FY 2016 Budget funds 304.5 full-time positions city-wide (general government services and utilities), an increase of 1.5 positions from the previous year.
- The FY 2016 Budget funds a cost of living increase for all employees of 2.0% and step raises for eligible employees of 2.5%.
- General Government capital projects funded and one-time operating expenses within the FY 2016 budget include:
 - Industrial Recruitment projects in the amount of \$732,200.
 - Road Improvements, primarily for the improvement of vehicle capacity in the area of Amerine Road and East Lamar Alexander Parkway, in the amount of \$579,800.
 - Funds for a 27th payroll, occurring every 11 years due to timing of the City's biweekly payroll schedule in the amount of \$428,877.
 - Additional funds for improvements at John Sevier Pool in the amount of \$110,000.
- The FY 2016 General Fund budget includes an additional \$771,284 over the FY 2015 Budget amount for payment of annual principal and interest due for the City's general obligation bonds. The total FY 2016 transfer from General Fund to Debt Service Fund is \$5,201,284.
- Water & Sewer capital projects totaling \$5,631,128 are scheduled for FY 2016 to focus primarily on system rehabilitation. There was no Water & Wastewater rate increase proposed for 7/1/2015.
- The capital plan for the Electric System includes ongoing system rehabilitation and maintenance, substation upgrades, new signal installation, equipment replacement and overhead and underground construction. The FY 2016 capital budget for the Electric Department is \$4,121,500. There was no Electric rate increase proposed by the City for 7/1/2015.
- The capital plan for the Stormwater Utility includes projects of \$275,560. There was no Stormwater rate increase proposed for 7/1/2015.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015 and 2014

	Governmental Activities	Business-type Activities	Total 2015	Total 2014
ASSETS:				
Cash	\$ 5,191,533	\$ 2,060,962	\$ 7,252,495	\$ 5,042,721
Investments	7,253,372	15,351,468	22,604,840	22,590,286
Pooled cash	2,667,825	-	2,667,825	2,100,508
Pooled investments	18,040,523	-	18,040,523	18,021,664
Receivables:				
Taxes, net	21,386,144	-	21,386,144	19,971,719
Accounts, net	499,372	4,177,420	4,676,792	4,411,355
Accrued interest	6,550	-	6,550	5,536
Rentals	-	166,333	166,333	169,733
Other	-	585,565	585,565	604,770
Internal balances	416,890	(416,890)	-	-
Due from other governments	2,490,759	-	2,490,759	3,447,614
Inventories	436,150	1,648,553	2,084,703	2,018,357
Net pension asset – school employees	94,221	-	94,221	-
Deferred refunding losses	1,544,956	-	1,544,956	-
Regulatory charges	-	1,344,077	1,344,077	1,478,256
Prepaid items/clearing accounts/other assets	-	177,811	177,811	239,740
Energy service loans receivable	-	818,226	818,226	874,141
Capital assets (net of accumulated depreciation and amortization):				
Land	6,680,451	-	6,680,451	6,680,451
Rights-of-way/Easements	122,130	-	122,130	122,130
Buildings	73,427,454	-	73,427,454	75,438,868
Improvements	18,662,350	-	18,662,350	17,962,483
Infrastructure	8,561,695	-	8,561,695	9,123,149
Equipment, vehicles and software	7,028,833	-	7,028,833	6,293,024
Capital lease property	19,033,124	-	19,033,124	20,046,343
Electric plant in service	-	40,003,917	40,003,917	38,496,912
Water/sewer plant in service	-	89,776,783	89,776,783	90,664,648
Stormwater utility plant in service	-	2,731,178	2,731,178	1,947,590
Construction-in-progress	<u>1,285,806</u>	<u>3,563,556</u>	<u>4,849,362</u>	<u>2,734,315</u>
Total Assets	<u>194,830,138</u>	<u>161,988,959</u>	<u>356,819,097</u>	<u>350,486,313</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension deferrals	<u>3,992,414</u>	<u>508,948</u>	<u>4,501,362</u>	<u>-</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF NET POSITION (Continued)
June 30, 2015 and 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2015</u>	<u>Total 2014</u>
LIABILITIES:				
Accounts payable	1,032,859	6,898,733	7,931,592	7,561,527
Cash overdraft	-	-	-	29,813
Accrued payroll	3,123,518	-	3,123,518	3,034,448
Accrued interest payable	146,590	123,154	269,744	262,041
Other liabilities	1,852,827	30,648	1,883,475	1,779,671
Net pension obligation	779,785	307,612	1,087,397	-
Internal balances	-	-	-	-
Customer deposits	-	1,573,867	1,573,867	1,495,521
Advances from TVA for energy service loans	-	818,226	818,226	874,141
Refundable deposits	-	133,800	133,800	177,600
Long-term liabilities:				
Due within one year	4,629,002	2,801,063	7,430,065	7,016,415
Due in more than one year	<u>84,722,931</u>	<u>52,589,459</u>	<u>137,312,390</u>	<u>142,647,256</u>
Total Liabilities	<u>96,287,512</u>	<u>65,276,562</u>	<u>161,564,074</u>	<u>164,878,433</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue	19,197,281	122,005	19,319,286	18,047,547
Pension deferrals	<u>11,377,051</u>	<u>1,425,603</u>	<u>12,802,654</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>30,574,332</u>	<u>1,547,608</u>	<u>32,121,940</u>	<u>18,047,547</u>
NET POSITION:				
Net investment in capital assets	51,401,298	83,526,202	134,927,500	127,634,776
Restricted for:				
Special Revenue:				
State Street Aid	511,248	-	511,248	1,149,990
Public Works	215,432	-	215,432	375,012
Education	50,397	-	50,397	52,516
Debt Service	8,025,226	-	8,025,226	8,010,894
Capital Projects	1,291,269	-	1,291,269	1,257,434
Unrestricted position	<u>10,465,838</u>	<u>12,147,535</u>	<u>22,613,373</u>	<u>29,079,711</u>
Total Net Position	<u>\$ 71,960,708</u>	<u>\$ 95,673,737</u>	<u>\$ 167,634,445</u>	<u>\$ 167,560,333</u>

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2015			2014
					Governmental Activities	Business-type Activities	Total	Total
Governmental Activities:								
General Government	\$ 4,819,297	\$ 426,606	\$ 2,400	\$ -	\$ (4,390,291)	\$ -	\$ (4,390,291)	\$ (4,229,819)
Public Safety	8,724,154	469,264	68,080	22,284	(8,164,526)	-	(8,164,526)	(8,544,688)
Public Works	7,114,555	494,520	154,056	425,537	(6,040,442)	-	(6,040,442)	(6,290,250)
Culture and Recreation	3,312,723	771,617	4,000	51,277	(2,485,829)	-	(2,485,829)	(2,350,233)
Economic Development	18,059	42,300	-	-	24,241	-	24,241	24,107
Education	49,261,478	2,596,645	22,644,502	95,575	(23,924,756)	-	(23,924,756)	(25,205,702)
Debt Service:								
Interest on long-term debt	2,567,148	-	-	-	(2,567,148)	-	(2,567,148)	(2,493,886)
Other debt service	200,463	-	-	-	(200,463)	-	(200,463)	(25,841)
Total Governmental Activities	<u>76,017,877</u>	<u>4,800,952</u>	<u>22,873,038</u>	<u>594,673</u>	<u>(47,749,214)</u>	<u>-</u>	<u>(47,749,214)</u>	<u>(49,116,312)</u>
Business-Type Activities:								
Electric	63,780,518	66,049,665	-	-	-	2,269,147	2,269,147	2,648,320
Water and Sewer	13,027,635	14,832,003	-	541,280	-	2,345,648	2,345,648	2,053,973
Stormwater Utility	1,039,904	1,387,354	-	-	-	347,450	347,450	301,394
Total Business-type Activities	<u>77,848,057</u>	<u>82,269,022</u>	<u>-</u>	<u>541,280</u>	<u>-</u>	<u>4,962,245</u>	<u>4,962,245</u>	<u>5,003,687</u>
Total Government	<u>\$ 153,865,934</u>	<u>\$ 87,069,974</u>	<u>\$ 22,873,038</u>	<u>\$ 1,135,953</u>	<u>(47,749,214)</u>	<u>4,962,245</u>	<u>(42,786,969)</u>	<u>(44,112,625)</u>
General Revenues:								
Sales tax					18,258,885	-	18,258,885	15,207,831
State income taxes and excise taxes					537,456	-	537,456	536,887
Property taxes					28,462,845	-	28,462,845	27,561,747
Business taxes					1,044,938	-	1,044,938	782,339
Miscellaneous taxes					3,005,430	-	3,005,430	3,025,884
In-lieu-of taxes					1,036,489	-	1,036,489	852,795
Investment earnings					256,400	14,813	271,213	232,176
Miscellaneous					1,817,076	8,400	1,825,476	1,690,375
Gain on deletion of capital assets					48,583	69,101	117,684	59,651
Transfers – In-lieu-of-tax payments					1,192,314	(1,192,314)	-	-
Total General Revenues and Transfers					<u>55,660,416</u>	<u>(1,100,000)</u>	<u>54,560,416</u>	<u>49,949,685</u>
Change in Net Position					<u>7,911,202</u>	<u>3,862,245</u>	<u>11,773,447</u>	<u>5,837,060</u>
Net Position – Beginning					74,022,527	93,537,806	167,560,333	161,723,273
Restatement – See Note 1 (S)					<u>(9,973,021)</u>	<u>(1,726,314)</u>	<u>(11,699,335)</u>	<u>-</u>
Adjusted Net Position – Beginning					<u>64,049,506</u>	<u>91,811,492</u>	<u>155,860,998</u>	<u>161,723,273</u>
Net Position – Ending					<u>\$ 71,960,708</u>	<u>\$ 95,673,737</u>	<u>\$ 167,634,445</u>	<u>\$ 167,560,333</u>

See accompanying independent auditors' report and notes

**CITY OF MARYVILLE, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2015
With Comparative Totals at June 30, 2014**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
					<u>2015</u>	<u>2014</u>
Assets:						
Cash	\$ 182,184	\$ 3,717,927	\$ -	\$ 1,121,629	\$ 5,021,740	\$ 2,487,140
Investments	-	7,253,372	-	-	7,253,372	7,346,497
Pooled Cash	2,504,312	-	-	163,513	2,667,825	2,100,508
Pooled Investments	6,157,457	-	8,025,226	3,857,840	18,040,523	18,021,664
Receivables:						
Taxes	20,256,431	1,274,685	-	-	21,531,116	20,120,900
Less: Allowance for uncollectible taxes	(144,972)	-	-	-	(144,972)	(149,181)
Accounts	118,786	14,202	-	121,190	254,178	171,156
Accrued interest	6,550	-	-	-	6,550	5,536
Due from other governments	2,024,397	277,264	-	189,098	2,490,759	3,447,614
Inventories	-	-	-	49,596	49,596	55,853
Due from other funds	16,550	330,189	-	-	346,739	741,195
Prepaid items	-	-	-	-	-	7,791
Total Assets	<u>31,121,695</u>	<u>12,867,639</u>	<u>8,025,226</u>	<u>5,502,866</u>	<u>57,517,426</u>	<u>54,356,673</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 31,121,695</u>	<u>\$ 12,867,639</u>	<u>\$ 8,025,226</u>	<u>\$ 5,502,866</u>	<u>\$ 57,517,426</u>	<u>\$ 54,356,673</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 568,762	\$ -	\$ -	\$ 297,673	\$ 866,435	\$ 701,585
Due to other funds	2,081,092	-	-	420,482	2,501,574	3,193,693
Accrued payroll	-	3,123,518	-	-	3,123,518	3,034,448
Other liabilities	49,050	1,803,777	-	-	1,852,827	1,760,704
Total Liabilities	<u>2,698,904</u>	<u>4,927,295</u>	<u>-</u>	<u>718,155</u>	<u>8,344,354</u>	<u>8,690,430</u>
Deferred Inflow of Resources:						
Deferred Revenue	<u>19,702,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,702,427</u>	<u>18,572,612</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
BALANCE SHEET (Continued)
Governmental Funds
June 30, 2015
With Comparative Totals at June 30, 2014

	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
					<u>2015</u>	<u>2014</u>
Fund Balances:						
Nonspendable	-	-	-	49,596	49,596	63,644
Restricted	-	-	-	2,086,536	2,086,536	2,240,767
Committed	-	-	-	895,136	895,136	906,264
Assigned (2016 Budget)	896,783	7,940,344	8,025,226	1,753,443	18,615,796	17,638,212
Unassigned	<u>7,823,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,823,581</u>	<u>6,244,744</u>
Total Fund Balances	<u>8,720,364</u>	<u>7,940,344</u>	<u>8,025,226</u>	<u>4,784,711</u>	<u>29,470,645</u>	<u>27,093,631</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 31,121,695</u>	 <u>\$ 12,867,639</u>	 <u>\$ 8,025,226</u>	 <u>\$ 5,502,866</u>	 <u>\$ 57,517,426</u>	 <u>\$ 54,356,673</u>

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2015
With Comparative Totals at June 30, 2014

	<u>2015</u>	<u>2014</u>
Fund Balances – Total Governmental Funds	\$ 29,470,645	\$ 27,093,631
Amounts to be reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	134,450,475	135,659,119
(2) Certain earned amounts are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	505,146	525,065
(3) Internal service funds are used by management to charge the cost of fleet maintenance/data processing services, workers' compensation, employee health and dental benefits, and facilities operation and maintenance to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.	3,558,210	3,154,061
(4) Losses on the advance refunding of debt are expensed when incurred in the governmental funds. The unamortized portion of these losses is reflected on the statement of net position.	1,544,956	-
(5) Interest costs of long-term debt is expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net position.	(146,590)	(134,294)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Deferred outflows related to pensions	\$ 3,992,414	
Less: deferred inflows related to pensions	<u>(11,377,051)</u>	-
(7) Net pension assets of the agent plan are not current financial resources and, therefore, are not reported in the governmental funds.	94,221	-
(8) Net pension obligations of the agent plan are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(779,785)	-
(9) Long-term liability for other post-employment benefits is expensed when due in the governmental funds. Such costs incurred as of the balance sheet date are accrued in the statement of net position.	(4,308,061)	(3,542,516)
(10) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes Payable	\$ 15,301,847	
Bonds Payable	45,790,000	
Compensated Absences	1,643,327	
Capital Lease Obligations	20,593,645	
Premium on Bonds and Capital Lease Obligations (net of accumulated amortization)	<u>1,715,053</u>	<u>(85,043,872)</u>
	<u>(85,043,872)</u>	<u>(88,732,539)</u>
Net Position of Governmental Activities	\$ 71,960,708	\$ 74,022,527

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
					<u>2015</u>	<u>2014</u>
Revenues:						
Taxes:						
Property taxes	\$ 18,648,367	\$ 10,170,470	\$ -	\$ -	\$ 28,818,837	\$ 28,108,082
Local option sales taxes	9,015,287	7,167,580	-	-	16,182,867	13,243,993
Other taxes	3,883,272	134,426	-	-	4,017,698	3,541,797
Licenses, permits and fees	27,851	242,678	-	56,832	327,361	312,295
Intergovernmental -						
Unrestricted:						
State taxes	2,874,560	99,762	-	722,084	3,696,406	3,564,559
Restricted:						
Federal grants	-	-	-	2,005,768	2,005,768	1,982,643
State grants	-	337,091	-	91,009	428,100	575,375
U.S.D.A. revenues	-	-	-	1,036,561	1,036,561	1,075,417
Other state revenues	-	19,203,712	-	-	19,203,712	19,280,573
Other federal revenues	-	29,552	-	-	29,552	82,868
Other local revenues	-	-	-	309,998	309,998	282,223
Charges for services	930,927	501,196	-	2,755,063	4,187,186	3,884,772
Fines, forfeitures and costs	52,595	-	-	7,518	60,113	104,753
Investment income	51,006	6,876	198,518	-	256,400	217,444
Miscellaneous revenue	<u>185,692</u>	<u>54,872</u>	<u>1,141,183</u>	<u>801,403</u>	<u>2,183,150</u>	<u>1,748,640</u>
Total Revenues	<u>35,669,557</u>	<u>37,948,215</u>	<u>1,339,701</u>	<u>7,786,236</u>	<u>82,743,709</u>	<u>78,005,434</u>
Expenditures:						
Current:						
General government	3,353,544	-	-	347,161	3,700,705	2,677,974
Public safety	8,485,447	-	-	104,503	8,589,950	8,278,238
Public works	5,696,625	-	-	595,986	6,292,611	6,171,951
Culture and recreation	1,425,576	-	-	937,517	2,363,093	2,186,943
Economic Development	-	-	-	8,954	8,954	10,463
Nondepartmental costs	1,292,612	-	-	-	1,292,612	1,018,871
Education	-	45,292,734	-	4,977,250	50,269,984	48,195,673

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
					<u>2015</u>	<u>2014</u>
Expenditures (Continued):						
Debt Service:						
Principal retirement	-	-	3,138,099	-	3,138,099	3,073,104
Interest and fiscal fees	-	-	2,119,402	-	2,119,402	2,049,671
Payments under Capital lease	113,133	-	1,141,183	-	1,254,316	1,265,876
Capital Outlay	<u>96,675</u>	<u>864,953</u>	<u>-</u>	<u>1,729,713</u>	<u>2,691,341</u>	<u>2,357,425</u>
Total Expenditures	<u>20,463,612</u>	<u>46,157,687</u>	<u>6,398,684</u>	<u>8,701,084</u>	<u>81,721,067</u>	<u>77,286,189</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>15,205,945</u>	<u>(8,209,472)</u>	<u>(5,058,983)</u>	<u>(914,848)</u>	<u>1,022,642</u>	<u>719,245</u>
Other Financing Sources (Uses):						
Transfers In	1,492,314	9,222,500	4,905,000	1,345,194	16,965,008	16,754,267
Transfers Out	(15,772,694)	-	-	-	(15,772,694)	(15,281,830)
Proceeds from refunding debt	-	-	9,998,315	-	9,998,315	-
Payments to refunding agent	<u>-</u>	<u>-</u>	<u>(9,830,000)</u>	<u>-</u>	<u>(9,830,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(14,280,380)</u>	<u>9,222,500</u>	<u>5,073,315</u>	<u>1,345,194</u>	<u>1,360,629</u>	<u>1,472,437</u>
Net Change in Fund Balance	925,565	1,013,028	14,332	430,346	2,383,271	2,191,682
Fund Balance, July 1 st	7,794,799	6,927,316	8,010,894	4,360,622	27,093,631	24,911,748
Change in Reserve for Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,257)</u>	<u>(6,257)</u>	<u>(9,799)</u>
Fund Balance, June 30th	<u>\$ 8,720,364</u>	<u>\$ 7,940,344</u>	<u>\$ 8,025,226</u>	<u>\$ 4,784,711</u>	<u>\$ 29,470,645</u>	<u>\$ 27,093,631</u>

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>2015</u>	<u>2014</u>
Net change in fund balances – total governmental funds	\$ 2,377,014	\$ 2,181,883
Amounts reported for the governmental activities in the statement of activities are different because:		
(1) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest payable	\$ (12,296)	
Change in accrual for compensated absences	(88,088)	
Change in accrual for post-employment benefit obligations	(765,545)	
Change in net pension liability/asset	(685,564)	
Change in deferred outflows related to pensions	3,992,414	
Change in deferred inflows related to pensions	<u>329,494</u>	
	2,770,415	(784,803)
(2) Certain revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	(19,919)	(177,517)
(3) 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 capital outlays exceeded depreciation in the current period.	(1,168,046)	(2,453,615)
(4) Governmental funds only report the disposal or deletion of capital assets to the extent proceeds are received from the disposal or deletion. In the statement of activities, gains and losses are recorded for disposals or deletions based on both the proceeds and the net book value of the disposed or deleted capital assets. This is the amount by which the proceeds exceeded the deleted capital assets in the current period.	48,583	28,668
(5) Governmental Funds report proceeds received from the sale of capital assets as revenues. In the statement of activities, only the gain or loss on the sale of capital assets is recorded. This is the amount of proceeds from the sale of capital assets.	(89,181)	(102,151)
(6) Bond premium is reported as other financing sources in the governmental funds, but is capitalized and amortized in the statement of net position. This is the amount of bond premium amortization.	145,824	145,227
(7) Debt refunding losses are recorded in the governmental funds when paid, but are capitalized and amortized in the statement of net position. This is the amount by which current- year debt refunding losses exceed current-year amortization.	(188,568)	-
(8) The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which the retirement of long-term debt exceeded debt proceeds in the current period.	3,630,931	3,715,958
(9) The net revenues (expenditures) of certain activities of internal service funds is reported with governmental activities.	<u>404,149</u>	<u>(301,955)</u>
Changes in net position of governmental activities	<u>\$ 7,911,202</u>	<u>\$ 2,251,695</u>

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	
			<u>(Budgetary</u>	<u>Positive</u>	
			<u>Basis)</u>	<u>(Negative)</u>	<u>2014</u>
Revenues:					
Taxes:					
Property taxes	\$ 17,525,000	\$ 18,014,883	\$ 18,362,065	\$ 347,182	\$ 17,749,206
Interest and penalties on property tax	315,000	286,302	286,302	-	321,698
In lieu of taxes - TVA	300,000	319,147	319,147	-	304,648
In lieu of taxes – Other	429,366	582,916	582,916	-	464,832
Local sales tax	8,500,000	9,015,286	9,015,287	1	7,574,097
City beer tax	1,185,000	1,182,718	1,184,674	1,956	1,170,350
City liquor tax	280,000	305,592	304,636	(956)	288,568
Gross receipts tax	600,000	804,893	804,893	-	560,940
Franchise taxes	590,000	675,658	675,658	-	658,053
Hotel/Motel taxes	9,000	11,348	11,348	-	11,091
	<u>29,733,366</u>	<u>31,198,743</u>	<u>31,546,926</u>	<u>348,183</u>	<u>29,103,483</u>
Licenses, Permits, and Fees:	<u>28,000</u>	<u>27,851</u>	<u>27,851</u>	<u>-</u>	<u>28,728</u>
Intergovernmental:					
State mixed drink tax	85,000	93,860	93,860	-	169,679
State beer tax	13,000	13,300	13,170	(130)	13,030
State income tax	250,000	472,118	472,118	-	502,097
State sales tax	1,925,000	2,076,017	2,076,018	1	1,963,838
State transportation tax	55,000	56,187	56,187	-	69,245
State excise tax	30,000	65,338	65,338	-	34,790
State street maintenance contract	55,000	102,551	97,869	(4,682)	56,366
	<u>2,413,000</u>	<u>2,879,371</u>	<u>2,874,560</u>	<u>(4,811)</u>	<u>2,809,045</u>
Charges for Services:					
Code enforcement services	160,000	271,377	271,377	-	163,857
Planning services	11,000	12,958	12,958	-	9,620
Public Works sales	45,000	80,052	80,052	-	63,293
Engineering services	14,000	19,406	19,406	-	14,132
Animal control services	11,000	11,000	14,423	3,423	15,351
Solid waste management services	383,500	383,500	382,104	(1,396)	383,464
Clerk's fees	10,000	9,315	9,315	-	13,122
Rent	30,000	40,766	97,333	56,567	32,628
Other services	5,000	17,318	43,959	26,641	6,272
	<u>669,500</u>	<u>845,692</u>	<u>930,927</u>	<u>85,235</u>	<u>701,739</u>
Fines, Forfeitures and Court Costs:					
Fines and Costs	68,000	52,310	52,310	-	71,909
Parking	1,200	285	285	-	1,135
	<u>69,200</u>	<u>52,595</u>	<u>52,595</u>	<u>-</u>	<u>73,044</u>
Investment Income	<u>45,000</u>	<u>31,356</u>	<u>51,006</u>	<u>19,650</u>	<u>57,409</u>
Other Revenues	<u>25,050</u>	<u>183,978</u>	<u>185,692</u>	<u>1,714</u>	<u>21,902</u>
Total Revenues	<u>32,983,116</u>	<u>35,219,586</u>	<u>35,669,557</u>	<u>449,971</u>	<u>32,795,350</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2014</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
Expenditures:					
General Government:					
Administration:					
Salaries and related costs	459,026	442,207	438,132	4,075	434,748
Advertising and publications	4,075	1,384	1,384	-	1,046
Communications	1,400	1,800	1,759	41	1,327
Membership	1,050	1,650	1,536	114	1,045
Vehicle maintenance	1,127	1,836	1,836	-	1,066
Printing and duplication	3,150	3,150	2,155	995	1,252
Training	1,000	1,300	380	920	186
Travel	1,150	850	704	146	180
Professional services	10,290	3,820	3,820	-	535
Computer operations	1,221	3,243	2,740	503	5,190
Motor fuels and lubricants	2,800	2,800	1,091	1,709	2,075
Office supplies	900	900	477	423	488
Other supplies	150	150	-	150	43
Insurance	1,485	1,540	1,540	-	1,239
Miscellaneous	4,698	4,329	3,405	924	3,252
	<u>493,522</u>	<u>470,959</u>	<u>460,959</u>	<u>10,000</u>	<u>453,672</u>
Development Services:					
Salaries and related costs	785,833	706,686	706,103	583	646,315
Advertising and publications	3,500	4,266	4,266	-	3,023
Communications	4,699	4,594	3,488	1,106	3,519
Memberships	2,412	2,411	2,324	87	2,152
Vehicle maintenance	5,567	5,839	5,839	-	5,697
Printing and duplication	2,770	2,770	1,197	1,573	1,781
Training	3,379	2,763	2,184	579	2,100
Travel	2,411	2,411	1,803	608	1,296
Professional services	17,866	48,366	39,422	8,944	5,229
Computer operations	1,855	7,105	6,634	471	9,279
Motor fuels and lubricants	4,700	4,428	3,540	888	4,213
Office supplies	1,250	1,250	1,017	233	549
Other supplies	2,845	3,445	2,873	572	1,182
Insurance	6,739	6,739	6,728	11	5,263
Environmental maintenance	6,000	4,790	1,200	3,590	-
Demolition of condemned buildings	35,000	4,207	17	4,190	-
Miscellaneous	6,202	7,668	6,103	1,565	14,210
	<u>893,028</u>	<u>819,738</u>	<u>794,738</u>	<u>25,000</u>	<u>705,808</u>
Judicial/Legal:					
Salaries and related costs	104,126	99,719	90,205	9,514	88,201
Legal services	85,740	85,897	85,378	519	91,045
Miscellaneous	3,783	8,033	7,964	69	591
	<u>193,649</u>	<u>193,649</u>	<u>183,547</u>	<u>10,102</u>	<u>179,837</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2014</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
Expenditures (Continued):					
General Government (Continued):					
Human Resources:					
Salaries and related costs	239,927	239,719	236,602	3,117	231,678
Advertising and publications	100	100	18	82	-
Communications	996	996	964	32	966
Membership	445	469	469	-	429
Vehicle maintenance	689	989	989	-	1,504
Printing and duplication	2,500	2,500	794	1,706	1,512
Training	1,575	1,575	1,423	152	1,317
Travel	990	990	802	188	724
Professional services	15,000	6,891	3,548	3,343	5,967
Safety programs	500	500	-	500	237
Computer operations	559	2,529	2,434	95	1,153
Motor fuels and lubricants	130	130	72	58	117
Office supplies	750	750	714	36	605
Other supplies	300	276	6	270	-
Miscellaneous	<u>3,475</u>	<u>3,383</u>	<u>2,962</u>	<u>421</u>	<u>2,634</u>
	<u>267,936</u>	<u>261,797</u>	<u>251,797</u>	<u>10,000</u>	<u>248,843</u>
Finance:					
Salaries and related costs	271,845	267,486	267,486	-	263,690
Communications	75	46	46	-	45
Membership	360	326	326	-	322
Postage	10,350	8,650	8,650	-	9,000
Printing and duplication	2,300	1,776	1,776	-	2,357
Training	1,000	200	200	-	600
Professional services	110,500	151,199	141,109	10,090	72,882
Computer operations	483	1,314	1,314	-	1,976
Bank charges	15,000	15,872	15,872	-	14,175
Office supplies	1,806	1,045	1,045	-	1,092
Miscellaneous	<u>1,809</u>	<u>643</u>	<u>732</u>	<u>(89)</u>	<u>655</u>
	<u>415,528</u>	<u>448,557</u>	<u>438,556</u>	<u>10,001</u>	<u>366,794</u>
Purchasing:					
Salaries and related costs	34,721	34,683	34,683	-	34,212
Communications	40	16	16	-	24
Membership	344	265	265	-	352
Printing and duplication	60	45	45	-	12
Computer operations	-	248	248	-	113
Office supplies	107	13	4	9	26
Miscellaneous	<u>50</u>	<u>52</u>	<u>52</u>	<u>-</u>	<u>40</u>
	<u>35,322</u>	<u>35,322</u>	<u>35,313</u>	<u>9</u>	<u>34,779</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2014</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
Expenditures (Continued):					
General Government (Continued):					
Legislative:					
Salaries and related costs	14,856	1,938	1,938	-	1,938
Advertising and publications	2,000	1,837	1,837	-	1,073
Membership	13,400	11,963	11,963	-	8,296
Postage	200	14	14	-	-
Printing and duplication	1,200	789	789	-	942
Training	1,650	1,475	1,475	-	1,100
Travel	4,900	6,957	6,957	-	4,516
Election services	1,500	1,450	1,450	-	28,301
Professional services	36,925	15,091	15,091	-	55,119
Community support	376,748	1,140,563	1,138,570	1,993	225,636
Office supplies	700	555	555	-	413
Miscellaneous	<u>8,485</u>	<u>11,002</u>	<u>7,995</u>	<u>3,007</u>	<u>10,152</u>
	<u>462,564</u>	<u>1,193,634</u>	<u>1,188,634</u>	<u>5,000</u>	<u>337,486</u>
Total General Government	<u>2,761,549</u>	<u>3,423,656</u>	<u>3,353,544</u>	<u>70,112</u>	<u>2,327,219</u>
Public Safety:					
Police Department:					
Salaries and related costs	4,047,378	3,877,285	3,877,285	-	3,793,221
Advertising and publications	2,800	2,348	2,348	-	1,494
Communications	48,447	49,956	49,956	-	38,478
Membership	11,570	10,635	10,635	-	11,032
Auto licenses	1,248	343	343	-	543
Vehicle maintenance	133,328	151,859	151,859	-	140,075
Vehicle parts	45,600	41,387	41,387	-	34,416
Printing and duplication	8,400	9,020	9,020	-	7,486
Training	42,050	22,885	22,885	-	22,962
Travel	42,450	22,283	22,283	-	12,894
Medical and vet services	8,300	6,364	6,364	-	9,203
Professional services	56,534	50,458	50,458	-	31,622
Public relations	2,000	2,497	2,497	-	1,488
Safety programs	-	-	-	-	171
Informant services	3,000	-	-	-	-
Crime prevention programs	5,000	3,986	3,986	-	2,164
Computer operations	79,406	147,363	147,263	100	82,328
Motor fuels and lubricants	160,000	113,887	108,932	4,955	149,738
Office supplies	6,500	6,500	5,230	1,270	5,032
Operating supplies	59,945	57,191	55,946	1,245	32,363
Other supplies	1,500	1,500	1,134	366	949

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2014
	Budgeted Amounts				
	<u>Original</u>	<u>Final</u>			
Expenditures (Continued):					
Public Safety (Continued):					
Police Department(Continued):					
Uniforms	47,779	39,652	36,821	2,831	26,605
Rent	-	-	-	-	3,200
Emergency communications funding (911 services)	162,396	151,064	151,064	-	151,064
Insurance	54,315	59,230	59,230	-	47,536
Communications system	26,500	17,000	16,979	21	20,792
Miscellaneous	<u>5,821</u>	<u>4,400</u>	<u>3,241</u>	<u>1,159</u>	<u>3,910</u>
	<u>5,062,267</u>	<u>4,849,093</u>	<u>4,837,146</u>	<u>11,947</u>	<u>4,630,766</u>
Animal Control:					
Salaries and related costs	196,542	196,542	194,777	1,765	187,950
Memberships	1,000	1,000	480	520	385
Utilities	5,598	5,598	3,562	2,036	3,870
Communication	1,380	1,380	1,318	62	1,112
Repair and maintenance – Vehicles and equipment	5,851	5,192	4,195	997	7,251
Building maintenance	2,545	4,345	4,175	170	285
Travel	-	-	-	-	232
Office supplies	200	200	146	54	-
Medical services	11,000	11,000	10,142	858	6,557
Chemical, lab and medical supplies	100	300	244	56	163
Other supplies	6,448	6,843	5,976	867	6,042
Uniforms	1,200	1,200	792	408	806
Motor fuels and lubricants	4,900	4,900	3,464	1,436	4,635
Consumable tools	600	600	-	600	121
Insurance	3,353	3,377	3,377	-	2,686
Printing and duplication	1,000	800	134	666	745
Training	400	540	540	-	-
Other expenditures	<u>2,786</u>	<u>1,086</u>	<u>565</u>	<u>521</u>	<u>713</u>
	<u>244,903</u>	<u>244,903</u>	<u>233,887</u>	<u>11,016</u>	<u>223,553</u>
Fire Department:					
Salaries and related costs	3,134,022	3,057,415	3,057,071	344	2,943,995
Advertising and publications	750	872	872	-	622
Communications	10,784	13,142	13,142	-	7,061
Membership	6,316	5,934	5,934	-	4,917
Vehicle maintenance	64,241	72,712	72,712	-	59,384
Vehicle parts	4,700	739	739	-	2,548
Printing and duplication	3,550	3,438	3,438	-	2,754
Training	7,775	5,663	5,663	-	6,336
Travel	6,350	6,664	6,664	-	12,564
Medical and vet services	10,236	6,376	6,376	-	6,482
Professional services	11,700	12,166	12,166	-	8,969

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2014
	Budgeted Amounts				
	<u>Original</u>	<u>Final</u>			
Expenditures (Continued):					
Public Safety (Continued):					
Fire Department (Continued):					
Public relations	5,000	5,246	5,246	-	159
Fire safety programs	6,300	6,261	6,261	-	2,297
Computer operations	12,311	12,181	12,181	-	8,986
Motor fuels and lubricants	25,000	15,947	15,947	-	21,348
Office supplies	2,500	1,016	1,016	-	1,813
Operating supplies	38,735	31,660	30,766	894	37,612
Other supplies	2,000	2,298	2,298	-	6,137
Uniforms	22,500	21,912	21,912	-	22,991
Equipment rental	91,000	93,837	93,837	-	90,999
Emergency management	15,608	-	-	-	975
Insurance	33,051	37,475	37,475	-	28,787
Communications system	-	-	-	-	8,583
Miscellaneous	4,295	2,852	2,698	154	1,192
	<u>3,518,724</u>	<u>3,415,806</u>	<u>3,414,414</u>	<u>1,392</u>	<u>3,287,511</u>
Total Public Safety	<u>8,825,894</u>	<u>8,509,802</u>	<u>8,485,447</u>	<u>24,355</u>	<u>8,141,830</u>
Public Works – Streets:					
Salaries and related costs	695,663	709,288	700,034	9,254	684,619
Communications	1,219	1,000	1,000	-	946
Membership	137	138	138	-	134
Auto licenses	105	87	87	-	58
Vehicle maintenance	80,932	103,029	103,029	-	84,876
Printing and duplication	380	328	328	-	503
Training	116	183	183	-	105
Medical and vet services	1,375	982	982	-	1,000
Asphalt filler	49,000	41,053	41,053	-	41,834
Concrete and cement	15,000	9,499	9,498	1	14,315
Crushed stone	1,000	1,092	1,092	-	717
Paint supplies	13,000	8,035	8,035	-	7,943
Shop supplies	23,500	18,837	18,837	-	13,286
Gravel and sand	1,000	550	550	-	272
Ice removal supplies	22,500	31,273	30,875	398	19,533
Other operating supplies	3,630	2,567	2,220	347	5,059
Small tools	2,500	2,398	2,398	-	3,487
Computer operations	125	142	142	-	8,733
Motor fuels and lubricants	46,053	37,895	37,895	-	43,991
Office supplies	230	155	155	-	127
Uniforms	5,200	5,193	5,193	-	2,789
Insurance	14,448	15,184	15,184	-	12,024
Miscellaneous	2,619	2,096	2,096	-	295
	<u>979,732</u>	<u>991,004</u>	<u>981,004</u>	<u>10,000</u>	<u>946,646</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2014
	Budgeted Amounts				
	<u>Original</u>	<u>Final</u>			
Expenditures (Continued):					
Public Works:					
Public Works – Grounds:					
Salaries and related costs	763,812	764,249	758,449	5,800	730,032
Advertising and publications	100	100	-	100	59
Communications	973	973	691	282	680
Membership	55	55	55	-	54
Vehicle licenses	90	90	87	3	20
Vehicle maintenance	77,501	77,501	75,030	2,471	84,608
Printing and duplication	400	400	360	40	539
Training	476	476	397	79	356
Medical and vet services	1,415	1,415	922	493	735
Grounds maintenance	13,300	11,669	10,122	1,547	16,253
Operating supplies	5,550	5,550	5,463	87	7,072
Professional services	4,500	1,996	150	1,846	-
Small tools	3,000	3,000	1,458	1,542	2,726
Computer operations	125	142	142	-	1,323
Motor fuels and lubricants	29,000	26,738	23,313	3,425	29,227
Office supplies	200	200	169	31	134
Uniforms	4,620	4,620	4,004	616	2,359
Insurance	8,428	8,568	8,568	-	6,696
Miscellaneous	2,373	8,176	8,079	97	385
	<u>915,918</u>	<u>915,918</u>	<u>897,459</u>	<u>18,459</u>	<u>883,258</u>
Public Works - Solid Waste:					
Salaries and related costs	1,445,633	1,452,033	1,298,733	153,300	1,382,378
Publication of notices	600	300	137	163	159
Communication	1,746	2,143	1,605	538	1,115
Repair and maintenance – vehicles	251,661	283,072	283,072	-	241,993
Supplies	6,220	5,048	4,547	501	7,026
Motor fuels and lubricants	147,000	112,904	103,183	9,721	142,638
Repair parts – containers	500	50	-	50	289
Containers	79,500	79,081	79,081	-	40,293
Insurance	25,974	26,934	24,724	2,210	21,643
Vehicle licenses and titles	264	224	111	113	212
Professional services	2,643	2,669	2,256	413	13,200
Uniforms	11,770	10,062	6,547	3,515	4,794
Consumable tools	400	258	258	-	110
Other expenditures	4,177	3,310	2,623	687	5,586
Landfill fees	1,008,550	1,008,550	981,921	26,629	948,806
	<u>2,986,638</u>	<u>2,986,638</u>	<u>2,788,798</u>	<u>197,840</u>	<u>2,810,242</u>
Public Works – Street Lighting:					
Electricity	600,000	702,576	702,576	-	637,947

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2014
	Budgeted Amounts				
	<u>Original</u>	<u>Final</u>			
Expenditures (Continued):					
Public Works:					
Engineering:					
Salaries and related costs	297,765	299,851	298,082	1,769	287,948
Advertising and publications	1,200	1,200	609	591	1,073
Communications	1,258	1,258	1,105	153	1,093
Membership	1,405	1,405	1,389	16	1,411
Vehicle maintenance	2,866	3,584	3,584	-	3,010
Printing and duplication	1,290	1,290	932	358	1,114
Training	329	329	75	254	394
Travel	360	360	35	325	153
Professional services	14,663	11,618	8,918	2,700	12,383
Computer operations	200	212	212	-	3,909
Motor fuels and lubricants	2,200	2,200	1,512	688	1,725
Office supplies	500	500	393	107	353
Traffic light supplies	15,000	9,835	7,314	2,521	11,006
Insurance	1,908	2,011	2,011	-	1,538
Miscellaneous	1,009	1,135	617	518	273
	<u>341,953</u>	<u>336,788</u>	<u>326,788</u>	<u>10,000</u>	<u>327,383</u>
Total Public Works	<u>5,824,241</u>	<u>5,932,924</u>	<u>5,696,625</u>	<u>236,299</u>	<u>5,605,476</u>
Culture and Recreation:					
Parks and Recreation:					
Grounds maintenance	10,000	-	-	-	-
Utilities	32,445	32,445	32,445	-	32,445
Recreation and Parks					
Commission funding	<u>673,515</u>	<u>673,515</u>	<u>673,515</u>	<u>-</u>	<u>645,435</u>
	<u>715,960</u>	<u>705,960</u>	<u>705,960</u>	<u>-</u>	<u>677,880</u>
Library:					
Blount County Library funding	<u>719,616</u>	<u>719,616</u>	<u>719,616</u>	<u>-</u>	<u>719,616</u>
Total Culture and Recreation	<u>1,435,576</u>	<u>1,425,576</u>	<u>1,425,576</u>	<u>-</u>	<u>1,397,496</u>
Non-Departmental Costs:					
Employee relations	1,731	1,731	1,312	419	1,360
Liability insurance	116,775	111,843	108,811	3,032	93,872
Property insurance	72,898	68,227	66,682	1,545	57,531
Fiber Optic maintenance	4,467	2,666	2,666	-	4,466
IT services	269,822	269,822	269,822	-	219,090
Facilities operations	<u>843,321</u>	<u>843,321</u>	<u>843,319</u>	<u>2</u>	<u>642,552</u>
	<u>1,309,014</u>	<u>1,297,610</u>	<u>1,292,612</u>	<u>4,998</u>	<u>1,018,871</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	June 30, 2015		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2014
	Budgeted Amounts				
	Original	Final			
Expenditures (Continued):					
Debt Service:					
Payments under capital lease	56,567	113,133	113,133	-	113,133
Capital Outlay:					
Public safety	68,000	96,769	96,675	94	-
Public works	-	-	-	-	53,640
	<u>68,000</u>	<u>96,769</u>	<u>96,675</u>	<u>94</u>	<u>53,640</u>
Total Expenditures	<u>20,280,841</u>	<u>20,799,470</u>	<u>20,463,612</u>	<u>335,858</u>	<u>18,657,665</u>
Excess Revenues Over Expenditures	<u>12,702,275</u>	<u>14,420,116</u>	<u>15,205,945</u>	<u>785,829</u>	<u>14,137,685</u>
Other Financing Sources (Uses):					
Transfers in – Payments in Lieu of taxes	1,475,000	1,492,314	1,492,314	-	1,472,437
Transfers Out	<u>(14,977,330)</u>	<u>(15,772,694)</u>	<u>(15,772,694)</u>	<u>-</u>	<u>(14,811,830)</u>
Total Other Financing Sources (Uses)	<u>(13,502,330)</u>	<u>(14,280,380)</u>	<u>(14,280,380)</u>	<u>-</u>	<u>(13,339,393)</u>
Net Change in Fund Balance	(800,055)	139,736	925,565	785,829	798,292
Fund Balance, July 1 st	<u>7,794,799</u>	<u>7,794,799</u>	<u>7,794,799</u>	<u>-</u>	<u>6,996,507</u>
Fund Balance, June 30 th	<u>\$ 6,994,744</u>	<u>\$ 7,934,535</u>	<u>\$ 8,720,364</u>	<u>\$ 785,829</u>	<u>\$ 7,794,799</u>

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
GENERAL PURPOSE SCHOOL FUND – SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>June 30, 2015</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget -</u>	
		<u>Basis)</u>	<u>Positive</u>		
			<u>(Negative)</u>	<u>2014</u>	
Revenues:					
Taxes	\$ 15,389,028	\$ 16,977,169	\$ 17,472,476	\$ 495,307	\$ 15,790,389
Licenses, permits and fees	167,750	167,750	242,678	74,928	223,837
Charges for services	401,500	401,500	501,196	99,696	457,291
Intergovernmental	19,899,089	19,956,589	19,670,117	(286,472)	19,976,217
Investment income	7,500	7,500	6,876	(624)	5,401
Miscellaneous revenues	<u>49,600</u>	<u>49,600</u>	<u>54,872</u>	<u>5,272</u>	<u>84,037</u>
Total Revenues	<u>35,914,467</u>	<u>37,560,108</u>	<u>37,948,215</u>	<u>388,107</u>	<u>36,537,172</u>
Expenditures:					
Instruction:					
Regular instruction program	25,705,660	26,131,260	26,102,520	28,740	24,271,077
Special education program	4,781,567	4,917,931	4,687,975	229,956	4,515,985
Vocational education program	750,050	726,965	698,527	28,438	692,512
Student body education program	15,000	15,000	13,839	1,161	18,669
Alternative school program	430,268	438,935	432,116	6,819	393,340
Early childhood education program	236,242	256,375	243,086	13,289	238,085
Support Services:					
Health services	129,252	139,575	131,578	7,997	130,466
Other student support	1,095,426	1,106,989	1,076,496	30,493	1,058,653
Regular instruction support	1,448,387	1,741,813	1,683,988	57,825	1,422,780
Special education support	632,788	607,791	596,941	10,850	649,846
Board of Education	859,189	840,066	773,298	66,768	869,031
Office of Director of Schools	375,415	389,301	377,261	12,040	362,712
Office of the Principal	2,938,626	2,993,538	2,877,805	115,733	2,850,081
Fiscal services	209,674	217,105	211,479	5,626	201,736
Human Resources (Personnel)	211,933	214,431	199,901	14,530	236,043
Operation of plant	2,786,450	2,724,531	2,681,014	43,517	2,589,347
Maintenance of plant	1,140,454	1,150,970	1,130,755	20,215	1,282,800
Transportation	1,031,625	1,056,791	1,034,118	22,673	1,068,049
Other Support Services	208,758	208,260	208,258	2	245,566
Community services	135,203	138,709	131,779	6,930	133,607
Capital Outlay:					
Regular capital outlay	<u>100,000</u>	<u>870,000</u>	<u>864,953</u>	<u>5,047</u>	<u>231,018</u>
Total Expenditures	<u>45,221,967</u>	<u>46,886,336</u>	<u>46,157,687</u>	<u>728,649</u>	<u>43,461,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,307,500)</u>	<u>(9,326,228)</u>	<u>(8,209,472)</u>	<u>1,116,756</u>	<u>(6,924,231)</u>
Other Financing Sources (Uses):					
Transfers In	9,307,500	9,222,500	9,222,500	-	9,307,500
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(470,000)</u>
Total Other Financing Sources (Uses)	<u>9,307,500</u>	<u>9,222,500</u>	<u>9,222,500</u>	<u>-</u>	<u>8,837,500</u>
Net Change in Fund Balance	-	(103,728)	1,013,028	1,116,756	1,913,269
Fund Balance, July 1 st	<u>6,927,316</u>	<u>6,927,316</u>	<u>6,927,316</u>	<u>-</u>	<u>5,014,047</u>
Fund Balance, June 30 th	<u>\$ 6,927,316</u>	<u>\$ 6,823,588</u>	<u>\$ 7,940,344</u>	<u>\$ 1,116,756</u>	<u>\$ 6,927,316</u>

See accompanying independent auditors report and notes.

**CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2015**

With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>Business-type Activities – Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>	<u>Business-type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>			<u>2014</u>	<u>2014</u>
	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Stormwater Utility Department</u>	<u>Total</u>		<u>2014</u>	<u>2014</u>
ASSETS:							
Current Assets:							
Cash	\$ 1,178,740	\$ 576,705	\$ 305,517	\$ 2,060,962	\$ 169,793	\$ 2,555,581	\$ -
Investments	6,640,382	8,711,086	-	15,351,468	-	15,243,789	-
Receivables:							
Accounts (net of allowance for uncollectibles)	3,697,265	439,884	40,271	4,177,420	245,194	4,127,701	112,498
Rentals	166,333	-	-	166,333	-	169,733	-
Due from other funds	141,085	194,256	-	335,341	3,182,271	531,027	2,965,856
Other	-	585,565	-	585,565	-	604,770	-
Inventory of materials and supplies	1,095,295	553,258	-	1,648,553	386,554	1,626,200	336,304
Other	-	-	-	-	-	22,762	-
Total Current Assets	<u>12,919,100</u>	<u>11,060,754</u>	<u>345,788</u>	<u>24,325,642</u>	<u>3,983,812</u>	<u>24,881,563</u>	<u>3,414,658</u>
Capital Assets:							
Plant in service	69,255,561	128,220,040	3,029,421	200,505,022	-	194,229,445	-
Utility Plant acquisition costs	39,201	123,569	-	162,770	-	162,770	-
Construction in progress	2,088,649	1,474,907	-	3,563,556	-	2,283,609	-
Building and improvements	-	-	-	-	873,125	-	873,125
Data processing equipment	-	-	-	-	254,897	-	254,897
Software	-	-	-	-	269,785	-	269,785
Fleet maintenance equipment and vehicles	-	-	-	-	215,934	-	237,256
	<u>71,383,411</u>	<u>129,818,516</u>	<u>3,029,421</u>	<u>204,231,348</u>	<u>1,613,741</u>	<u>196,675,824</u>	<u>1,635,063</u>
Less: Accumulated depreciation and amortization	<u>29,290,845</u>	<u>38,566,826</u>	<u>298,243</u>	<u>68,155,914</u>	<u>1,262,373</u>	<u>63,283,065</u>	<u>1,177,028</u>
Net Capital Assets	<u>42,092,566</u>	<u>91,251,690</u>	<u>2,731,178</u>	<u>136,075,434</u>	<u>351,368</u>	<u>133,392,759</u>	<u>458,035</u>
Other Noncurrent Assets:							
Other noncurrent assets	-	177,811	-	177,811	-	209,187	-
Regulatory charges	128,234	1,215,843	-	1,344,077	-	1,478,256	-
Receivables:							
Energy Service Loans	818,226	-	-	818,226	-	874,141	-
Total Other Noncurrent Assets	<u>946,460</u>	<u>1,393,654</u>	<u>-</u>	<u>2,340,114</u>	<u>-</u>	<u>2,561,584</u>	<u>-</u>
Total Noncurrent Assets	<u>43,039,026</u>	<u>92,645,344</u>	<u>2,731,178</u>	<u>138,415,548</u>	<u>351,368</u>	<u>135,954,343</u>	<u>458,035</u>
Total Assets	<u>55,958,126</u>	<u>103,706,098</u>	<u>3,076,966</u>	<u>162,741,190</u>	<u>4,335,180</u>	<u>160,835,906</u>	<u>3,872,693</u>
DEFERRED OUTFLOWS OF RESOURCES:							
Pension deferrals	<u>215,565</u>	<u>237,501</u>	<u>55,882</u>	<u>508,948</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report and notes.

(Continued)

**CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (Continued)
June 30, 2015**

With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>Business-type Activities – Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>	<u>Business-type Activities - Enterprise Funds 2014</u>	<u>Governmental Activities - Internal Service Funds 2014</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>				
	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Stormwater Utility Department</u>	<u>Total</u>			
LIABILITIES:							
Current Liabilities							
(Payable from Current Assets):							
Accounts payable	6,545,676	336,774	16,283	6,898,733	166,424	6,778,745	81,197
Cash overdraft	-	-	-	-	-	-	29,813
Due to other funds	443,773	130,935	177,523	752,231	610,546	436,763	607,622
Accrued compensated absences	288,222	241,907	45,254	575,383	-	567,817	-
Customer deposits	1,352,231	221,636	-	1,573,867	-	1,495,521	-
Other accrued liabilities	30,648	-	-	30,648	-	18,967	-
Accrued interest payable	-	123,154	-	123,154	-	127,747	-
Current portion of long-term debt	705,000	1,462,144	-	2,167,144	-	2,090,068	-
Total Current Liabilities							
(Payable from Current Assets)	<u>9,365,550</u>	<u>2,516,550</u>	<u>239,060</u>	<u>12,121,160</u>	<u>776,970</u>	<u>11,515,628</u>	<u>718,632</u>
Noncurrent Liabilities:							
Bonds payable	4,872,254	43,696,190	-	48,568,444	-	50,691,981	-
Loan Payable – Tennessee Revolving Loan Fund	-	1,813,644	-	1,813,644	-	1,915,788	-
Accrued compensated absences	556,999	450,727	80,891	1,088,617	-	1,071,697	-
Advances from TVA for energy service loans	818,226	-	-	818,226	-	874,141	-
Accrued post-employment benefit obligations	510,175	576,308	90,807	1,177,290	-	1,051,265	-
Net pension obligation	159,731	118,040	29,841	307,612	-	-	-
Refundable deposits	133,800	-	-	133,800	-	177,600	-
Total Noncurrent Liabilities	<u>7,051,185</u>	<u>46,654,909</u>	<u>201,539</u>	<u>53,907,633</u>	<u>-</u>	<u>55,782,472</u>	<u>-</u>
Total Liabilities	<u>16,416,735</u>	<u>49,171,459</u>	<u>440,599</u>	<u>66,028,793</u>	<u>776,970</u>	<u>67,298,100</u>	<u>718,632</u>
DEFERRED INFLOWS OF RESOURCES:							
Pension deferrals	740,261	547,044	138,298	1,425,603	-	-	-
Deferred revenue	122,005	-	-	122,005	-	-	-
Total Deferred Inflows	<u>862,266</u>	<u>547,044</u>	<u>138,298</u>	<u>1,547,608</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION:							
Net investment in Capital Assets	36,515,312	44,279,712	2,731,178	83,526,202	351,368	78,694,922	458,035
Unrestricted position	2,379,378	9,945,384	(177,227)	12,147,535	3,206,842	14,842,884	2,696,026
Total Net Position	<u>\$ 38,894,690</u>	<u>\$ 54,225,096</u>	<u>\$ 2,553,951</u>	<u>\$ 95,673,737</u>	<u>\$ 3,558,210</u>	<u>\$ 93,537,806</u>	<u>\$ 3,154,061</u>

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>Business-type Activities –Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>	<u>Business-type Activities - Enterprise Funds 2014</u>	<u>Governmental Activities - Internal Service Funds 2014</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>				
	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Stormwater Utility Department</u>	<u>Total</u>			
OPERATING REVENUES:							
Charges for services	\$ 64,932,569	\$ 13,356,439	\$ 1,380,526	\$ 79,669,534	\$ 13,556,990	\$ 79,057,103	\$ 12,940,070
Customers' forfeited discounts	376,361	94,640	6,828	477,829	-	494,235	-
Rent from property	144,121	138,817	-	282,938	-	276,329	-
Other revenue	596,614	1,242,107	-	1,838,721	100	1,743,446	2,044
Total Operating Revenues	<u>66,049,665</u>	<u>14,832,003</u>	<u>1,387,354</u>	<u>82,269,022</u>	<u>13,557,090</u>	<u>81,571,113</u>	<u>12,942,114</u>
OPERATING AND MAINTENANCE EXPENSE:							
Purchased power	55,490,463	-	-	55,490,463	-	54,460,560	-
Electric operations	2,633,358	-	-	2,633,358	-	2,661,687	-
Water and sewer operations	-	5,015,900	-	5,015,900	-	5,214,512	-
Stormwater operations	-	-	859,013	859,013	-	949,941	-
Customer accounts expense	679,765	1,022,458	-	1,702,223	-	1,592,889	-
Administrative and general expense	1,868,175	1,500,779	76,483	3,445,437	-	3,234,539	-
Sales expense	133,496	-	-	133,496	-	107,913	-
Depreciation and amortization of capital assets	2,242,519	3,266,256	104,408	5,613,183	106,667	5,461,536	119,753
Taxes	474,515	-	-	474,515	-	469,250	-
Computer information systems operating expense	-	-	-	-	717,614	-	713,405
Fleet maintenance operating expenses	-	-	-	-	592,907	-	633,309
Facilities operating and maintenance expenses	-	-	-	-	1,371,814	-	1,068,027
Self-insurance operating expenses	-	-	-	-	10,363,939	-	10,709,575
Total Operating and Maintenance Expenses	<u>63,522,291</u>	<u>10,805,393</u>	<u>1,039,904</u>	<u>75,367,588</u>	<u>13,152,941</u>	<u>74,152,827</u>	<u>13,244,069</u>
OPERATING INCOME (LOSS)	<u>2,527,374</u>	<u>4,026,610</u>	<u>347,450</u>	<u>6,901,434</u>	<u>404,149</u>	<u>7,418,286</u>	<u>(301,955)</u>
NON-OPERATING REVENUES (EXPENSES):							
Interest earned	6,805	8,008	-	14,813	-	14,732	-
Amortization	(19,332)	(146,223)	-	(165,555)	-	(173,982)	-
Rent from non-utility property	8,400	-	-	8,400	-	8,400	-
Gain (Loss) on retirement of capital assets	-	69,101	-	69,101	-	30,983	-
Interest expense	(238,895)	(2,076,019)	-	(2,314,914)	-	(2,398,030)	-
Total Non-Operating Revenues (Expenses)	<u>(243,022)</u>	<u>(2,145,133)</u>	<u>-</u>	<u>(2,388,155)</u>	<u>-</u>	<u>(2,517,897)</u>	<u>-</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,284,352	1,881,477	347,450	4,513,279	404,149	4,900,389	(301,955)
CONTRIBUTIONS AND TRANSFERS:							
Capital Contributions	-	541,280	-	541,280	-	157,413	-
Transfers in	-	-	300,000	300,000	-	-	-
Payments In Lieu of Taxes	(992,740)	(499,574)	-	(1,492,314)	-	(1,472,437)	-
CHANGE IN NET POSITION	1,291,612	1,923,183	647,450	3,862,245	404,149	3,585,365	(301,955)
NET POSITION, July 1st	38,499,487	52,964,348	2,073,971	93,537,806	3,154,061	89,952,441	3,456,016
Restatement – See note 1 (S)	(896,409)	(662,435)	(167,470)	(1,726,314)	-	-	-
NET POSITION, June 30th	<u>\$ 38,894,690</u>	<u>\$ 54,225,096</u>	<u>\$ 2,553,951</u>	<u>\$ 95,673,737</u>	<u>\$ 3,558,210</u>	<u>\$ 93,537,806</u>	<u>\$ 3,154,061</u>

See accompanying independent auditors' report and notes.

**CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014**

	<u>Business-type Activities –Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>	<u>Business-type Activities - Enterprise Funds 2014</u>	<u>Governmental Activities - Internal Service Funds 2014</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>				
	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Stormwater Utility Department</u>	<u>Total</u>			
CASH FLOWS FROM							
OPERATING ACTIVITIES:							
Collections from customers	\$ 65,981,738	\$ 14,885,811	\$ 1,391,510	\$ 82,259,059	\$ 1,445,724	\$ 81,847,826	\$ 1,579,688
Receipts from other funds	97,526	43,797	488,775	630,098	12,117,775	301,548	11,387,954
Payments to other funds	(22,596)	(96,348)	-	(118,944)	-	(2,785)	-
Payments to employees	(3,017,503)	(2,544,820)	(577,810)	(6,140,133)	(708,200)	(6,051,366)	(687,128)
Payments to other suppliers of goods and services	(57,613,471)	(5,153,582)	(408,962)	(63,176,015)	(1,978,372)	(61,348,162)	(12,374,823)
Taxes	(474,515)	-	-	(474,515)	-	(469,250)	-
Payment for settlement of claims and administrative expenses	-	-	-	-	(10,489,276)	-	-
Net Cash Flows Provided By (Used in) Operating Activities	<u>4,951,179</u>	<u>7,134,858</u>	<u>893,513</u>	<u>12,979,550</u>	<u>387,651</u>	<u>14,277,811</u>	<u>(94,309)</u>
CASH FLOWS FROM -							
NONCAPITAL FINANCING							
ACTIVITIES:							
Receipts from other funds	-	-	300,000	300,000	433,600	-	131,534
Payments to other funds	(992,740)	(499,574)	-	(1,492,314)	(651,458)	(1,472,437)	(93,706)
Net Cash Provided By (Used In) NonCapital Financing Activities	<u>(992,740)</u>	<u>(499,574)</u>	<u>300,000</u>	<u>(1,192,314)</u>	<u>(217,858)</u>	<u>(1,472,437)</u>	<u>37,828</u>
CASH FLOWS FROM CAPITAL							
AND RELATED FINANCING							
ACTIVITIES:							
Acquisition of capital assets	(4,360,501)	(2,975,302)	(887,996)	(8,223,799)	-	(6,120,951)	(26,183)
Utility Plant removal costs, net of salvage	46,523	(118,582)	-	(72,059)	-	36,743	-
Proceeds from sale of capital assets	-	69,101	-	69,101	-	30,983	-
Loans repaid	-	(100,068)	-	(100,068)	-	(98,028)	-
Bonds redeemed	(675,000)	(1,315,000)	-	(1,990,000)	-	(1,925,000)	-
Interest paid	(248,388)	(2,129,656)	-	(2,378,044)	-	(2,460,998)	-
Refundable deposits	(43,800)	-	-	(43,800)	-	(24,000)	-
Energy Service advances repaid to TVA	(183,178)	-	-	(183,178)	-	223,645	-
Energy Service advances from TVA	239,093	-	-	239,093	-	(210,937)	-
Energy Service loans to customers	(239,093)	-	-	(239,093)	-	(223,645)	-
Energy Service loans collected from customers	183,178	-	-	183,178	-	210,937	-
Capital contributions	-	541,280	-	541,280	-	157,413	-
Net Cash Flows Provided By (Used In) Capital and Related Financing Activities	<u>(5,281,166)</u>	<u>(6,028,227)</u>	<u>(887,996)</u>	<u>(12,197,389)</u>	<u>-</u>	<u>(10,403,838)</u>	<u>(26,183)</u>
CASH FLOWS FROM INVESTING							
ACTIVITIES:							
Interest received	6,805	8,008	-	14,813	-	14,732	-
Rent from investment property	8,400	-	-	8,400	-	8,400	-
Net Cash Flows Provided By (Used In) Investing Activities	<u>15,205</u>	<u>8,008</u>	<u>-</u>	<u>23,213</u>	<u>-</u>	<u>23,132</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,307,522)	615,065	305,517	(386,940)	169,793	2,424,668	(82,664)
CASH & CASH EQUIVALENTS— July 1 st	<u>9,126,644</u>	<u>8,672,726</u>	<u>-</u>	<u>17,799,370</u>	<u>-</u>	<u>15,374,702</u>	<u>82,664</u>
CASH AND CASH EQUIVALENTS — June 30 th	<u>\$ 7,819,122</u>	<u>\$ 9,287,791</u>	<u>\$ 305,517</u>	<u>\$ 17,412,430</u>	<u>\$ 169,793</u>	<u>\$ 17,799,370</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	<u>Business-type Activities –Enterprise Funds</u>				Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2014	Governmental Activities - Internal Service Funds 2014
	<u>Major Funds</u>		Non-Major Fund Stormwater Utility Department	<u>Total</u>			
	<u>Electric Department</u>	<u>Water and Sewer Department</u>					
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	\$ 2,527,374	\$ 4,026,610	\$ 347,450	\$ 6,901,434	\$ 404,149	\$ 7,418,286	\$ (301,955)
Adjustments to reconcile operating income to net cash provided by (used) in operating activities:							
Add (deduct) non-cash items:							
Depreciation	2,242,519	3,266,256	104,408	5,613,183	93,755	5,461,536	111,173
Amortization	-	-	-	-	12,912	-	8,580
Changes in assets and liabilities:							
Accounts receivable	(71,329)	17,454	4,156	(49,719)	(132,696)	248,229	(6,401)
Pole rentals receivable	3,400	-	-	3,400	-	(6,709)	-
Other receivables	-	19,205	-	19,205	-	(116,561)	-
Inventories	2,868	(25,221)	-	(22,353)	(50,250)	(44,967)	61,640
Other current assets	22,762	-	-	22,762	-	16	-
Accounts payable	51,312	74,022	(5,346)	119,988	85,227	673,313	725
Cash overdraft	-	-	-	-	(29,813)	-	29,813
Accrued compensated absences	56,384	(31,021)	(877)	24,486	-	77,696	-
Accrued post-employment benefit obligation	58,058	57,807	10,160	126,025	-	118,081	-
Net pension obligation/deferrals	(211,982)	(234,852)	(55,213)	(502,047)	-	-	-
Other accrued liabilities	133,686	-	-	133,686	-	(1,626)	-
Customer deposits	61,197	17,149	-	78,346	-	151,754	-
Due from other funds	(22,596)	(96,348)	314,630	195,686	4,367	189,198	2,116
Due to other funds	97,526	43,797	174,145	315,468	-	109,565	-
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 4,951,179</u>	<u>\$ 7,134,858</u>	<u>\$ 893,513</u>	<u>\$ 12,979,550</u>	<u>\$ 387,651</u>	<u>\$ 14,277,811</u>	<u>\$ (94,309)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET:							
Current Assets:							
Cash	\$ 1,178,740	\$ 576,705	\$ 305,517	\$ 2,060,962	\$ 169,793	\$ 2,555,581	\$ -
Investments	<u>6,640,382</u>	<u>8,711,086</u>	<u>-</u>	<u>15,351,468</u>	<u>-</u>	<u>15,243,789</u>	<u>-</u>
Cash and Cash Equivalents – June 30 th	<u>\$ 7,819,122</u>	<u>\$ 9,287,791</u>	<u>\$ 305,517</u>	<u>\$ 17,412,430</u>	<u>\$ 169,793</u>	<u>\$ 17,799,370</u>	<u>\$ -</u>

Accounting Policy Note: The City considers all highly liquid investments with original maturities of three (3) months or less as cash equivalents. At June 30, 2015 and 2014, the Electric Department had investments of \$6,640,382 and \$7,280,711, respectively, considered to be cash equivalents. At June 30, 2015 and 2014, the Water and Sewer Department had investments of \$8,711,086 and \$7,963,078 respectively, considered to be cash equivalents.

See accompanying independent auditors report and notes.

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Maryville, Tennessee, has existed under various charters in its over 200 year history. The most recent incorporation was authorized by *H.B. No 132 Private Chapter No 27* adopted by the State legislature on March 14, 1967. The act took effect September 1, 1967 and effectively recreated the City of Maryville as a Council-Manager City with five councilmen elected at large who in turn hire a City Manager for day-to-day administration. The charter authorizes the following services: public safety (police and fire), highways and streets, public utilities, health and social services, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Maryville, Tennessee, are in conformity with all applicable statements of the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

(A) FINANCIAL REPORTING ENTITY:

Governmental Accounting Standards Board (GASB) *Statement No. 14 - "The Financial Reporting Entity"* as amended by *GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units"* defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of a component unit's Board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

In evaluating how to define the government for financial reporting purposes, management has considered the primary government and all potential component units by applying the definitions and the criteria set forth by *GASB Statement No. 14*, as amended by *GASB Statement No. 39*.

The financial statements of the City (primary government) provide an overview of the entity based on financial accountability. The primary government consists of all the organizations that make up its legal entity—all funds, departments, and offices that are not legally separate. The City meets all the criteria defined for a primary government in *GASB No. 14*, as amended by *GASB Statement No. 39*, as follows:

- a. Separately elected governing body,
- b. Separate legal standing through legislation authorizing its creation,
- c. Fiscally independent of other state and local governments,

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to *GASB No. 14*, as amended by *GASB Statement No. 39*, for component units, the City has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices which comprise the City's legally adopted jurisdictions.

(B) BASIC FUND STATEMENTS – GASB NO. 34:

The basic financial statements include both government-wide (based on the City as a whole and its component units, if any) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) BASIC FUND STATEMENTS – GASB NO. 34 (Continued):

measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

(C) BASIS OF PRESENTATION:

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following categories are used by the City:

Governmental Fund Types

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION (Continued):

Governmental Funds include the following fund types:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditures for specified purposes as defined by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. There is one (1) special revenue fund presented as a major fund in the basic financial statements as follows:

General Purpose School Fund: The General Purpose School Fund is used to account for the general operations of the Maryville City Schools. Major funding for the General Purpose School Fund is provided by State education funds, shared revenues provided by Blount County, and transfers from the General Fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt (principal, interest, and related costs) not being accounted for in the Enterprise Funds. The Debt Service Fund is presented as a major fund in the basic financial statements.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position, and cash flows.

Proprietary funds include the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following enterprise funds are used by the City:

Electric Department Fund: The Electric Department Fund is used to account for the operation of the City's electric system. This fund is presented as a major fund in the basic financial statements.

Water and Sewer Department Fund: The Water and Sewer Department Fund is used to account for the operation of the City's water and sewer system. This fund is presented as a major fund in the basic financial statements.

Stormwater Utility Fund: The Stormwater Utility Fund is used to account for the operation of the City's Stormwater Utility System.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION (Continued):

Internal Service Funds: Internal Service Funds are used to account for the providing of goods or services to other governmental operating units such as departments, bureaus, and agencies. The services provided may include duplicating services, data processing, legal services, motor pools, and centralized maintenance. Also, an Internal Service Fund may produce goods as does a manufacturer. For example, products may be provided by government printing shops, repair facilities, and processing facilities. The purpose of centralizing certain activities in an Internal Service Fund is to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple units within the governmental organization. Costs associated with the centralized activity are usually recovered from those governmental units that benefit from the goods or services provided through the Internal Service Funds. Thus, the objective of an Internal Service Fund is not to make a profit but rather to recover, over a period of time, the total cost of providing the goods or services.

The following internal service funds are used by the City:

Employee Medical Self-Insurance Funds: The Employee Medical Self-Insurance Funds are used to account for the City of Maryville's self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

School Employee Dental Insurance Fund: The School Employee Dental Insurance Fund is used to account for the City of Maryville school employees' dental insurance program. Premiums collected from employees and premiums charged to various operating funds are placed in this fund for the payment of dental claims and administrative expenses.

Retiree Medical Self-Insurance Funds: The Retiree Medical Self-Insurance Funds are used to account for the City of Maryville's self-insured health insurance program for retirees. Premiums charged to various operating funds and retiree contributions are placed in this fund for the payment of medical claims and administrative expenses.

Self-Insured Workmen's Compensation Fund: The Self-Insured Workmen's Compensation Fund is used to account for the City's self-insured worker's compensation program. Premiums charged to various operating funds are placed in this fund for the payment of claims and administrative expenses.

Computer Information Systems Fund: The Computer Information Systems Fund is used to account for the operation of the City's computer information system. Data processing charges collected from various City funds are placed in this fund for the payment of operating expenses.

Fleet Maintenance Fund: The Fleet Maintenance Fund is used to account for the operation of the City's vehicle maintenance program. Vehicle maintenance charges collected from various City funds are placed in this fund for the payment of operating expenses.

Facilities Management Fund: The Facilities Management Fund is used to account for the operation of the City's physical facilities.

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, franchise fees, and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government's electric and water/sewer functions and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department, and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least forty-five (45) days before the beginning of the budgetary fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. The legal level of budgetary control is at the department level.
2. Public hearing is conducted by the City to obtain taxpayer comments.
3. Prior to July 1st, the budget is legally enacted through passage of an ordinance on two separate readings.
4. The City Manager is authorized to transfer appropriations between any program or line item within a department without the approval of the City Council. However, any revisions that alter the total expenditures of any department, and all other budget amendments, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Fund. Formal budgetary integration is employed for the Debt Service Fund even though effective budgetary control is additionally achieved through general obligation bond indenture provisions. Because Capital Projects Funds are project-oriented and may extend over two (2) or more fiscal years, the recording of an annual budget is not necessary. Budgeted appropriations lapse at year-end.
6. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted (or as subsequently amended) by the City Council on June 20, 2014.

Budget amendments were adopted for the following funds:

1. General Fund – \$2,253,784 increase in revenues and \$1,313,993 increase in expenditures.
2. General Purpose School Fund - \$1,664,369 increase in both revenues and expenditures.
3. Federal Projects Fund – \$139,350 increase in both revenues and expenditures.
4. Debt Service Fund - \$10,671,833 increase in revenues and \$9,523,726 increase in expenditures.
5. Foothills Fall Festival - \$18,500 increase in revenues and \$185,189 increase in expenditures.

(F) UNBILLED ACCOUNTS RECEIVABLE:

The City of Maryville Utilities delay the recording of some accrued revenues due to the staggering of meter reading dates during the month. Consequently, there is a lag in meter reading time and billing dates as the Utilities do not bill at a cut-off date of June 30th, the year-end. Unbilled revenues are estimated by calculation of average daily revenue for the number of days unrecorded based on the following month's billing.

For the Electric Department at June 30, 2015, unrecorded unbilled revenue was estimated to be \$3,027,012.

For the Water and Sewer Department at June 30, 2015, unrecorded unbilled revenue was estimated to be \$574,057.

Expenses and the related purchased power for the unrecorded unbilled revenue have been reflected in the Statements of Revenues, Expenses and Changes in Fund Net Position of each respective Utility.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) CASH AND INVESTMENTS:

Cash and cash equivalents consist of petty cash, demand deposits, and all highly liquid investments with original maturities of three (3) months or less.

In order to provide a safe temporary medium for investment of idle funds, the City adopted an investment policy that allows investment in the following:

1. Bonds, notes and treasury bills of the United States;
2. Non-convertible debt securities of certain government sponsored enterprises that are chartered by the Congress of the United States;
3. Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
4. Certificates of Deposit at state and federal chartered banks and savings and loan associations;
5. The Local Government Investment Pool created by TCA, Title 9, Chapter 4, Part 2;
6. Bonds or notes issued by or on behalf of the City of Maryville in accordance with TCA, Title 9, Chapter 21;
7. Bonds or notes backed by the direct obligation of a State of the United States, or a political subdivision or instrumentality thereof, having general taxing powers; and are rated in either of the two (2) highest rated categories by a nationally-recognized rating agency.

(H) RECEIVABLES:

All receivables are shown net of an allowance for uncollectibles.

(I) INVENTORIES AND PREPAID ITEMS:

Materials and supplies inventories of the Proprietary Funds are maintained by a perpetual inventory accounting system and are valued on a basis of average cost. Inventory of the Maryville City Schools' Cafeteria Fund is accounted for by the purchase method and is valued on a basis of average cost.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements.

(J) CAPITAL ASSETS:

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks, and culverts) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized 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, if material.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) CAPITAL ASSETS (Continued):

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land, rights-of-way/easements, and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	50
Improvements	20 – 50
Equipment and vehicles	5 – 25
Infrastructure	25 – 50

(K) COMPENSATED ABSENCES:

Accumulated unpaid vacation and vested sick pay are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

The City of Maryville, Tennessee’s employees, with the exception of the Board of Education employees, are granted sick leave and vacation leave in varying amounts. Full-time employees accrue sick leave at the rate of one (1) day for each completed month of service. An employee can accrue a maximum of ninety (90) days of sick leave. Although eligible employees accrue sick leave from the date of employment, an employee is ineligible to use it until after having completed the first six (6) months of employment. Upon resignation or dismissal, an employee will not be paid for accrued sick leave. However, upon retirement, one-half (1/2) of accumulated sick leave will be credited toward additional service for payroll purposes.

Employees of the City of Maryville, Tennessee’s Board of Education accumulate sick leave at the rate of one (1) day per month, or a maximum of ten (10) days per year based upon a ten (10) month period. Non-professional employees of the Board receive no compensation for accumulated sick leave upon retirement. However, upon retirement, professional employees of the Board receive an additional month of employment credit for the purpose of computing retirement benefits for every twenty (20) days of accumulated sick leave.

The City’s vacation leave policy is as follows:

Full-time employees hired before April 2, 1985, will accrue vacation leave according to Schedule 1 below:

Schedule 1: Full-time Employees Hired Prior to April 2, 1985

<u>Completed Service</u>	<u>Vacation Leave Credit Per Month (Fire Department Shifts)</u>
0 through 6 years	7 hours/month (8.333 hours/month)
7 through 14 years	10 hours/month (12.667 hours/month)
15 through 19 years	14 hours/month (16.667 hours/month)
20 or more years	17 hours/month (20.583 hours/month)

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) COMPENSATED ABSENCES (Continued):

Full-time employees hired after April 1, 1985, will accrue vacation leave according to Schedule 2 below:

Schedule 2: Full-time Employees Hired After April 1, 1985

Completed Service	Vacation Leave Credit Per Month (Fire Department Shifts)
0 through 6 years	7 hours/month (8.333 hours/month)
7 through 14 years	10 hours/month (12.667 hours/month)
15 or more years	14 hours/month (16.667 hours/month)

Employees having a minimum of seven (7) years' service have the option, subject to department head approval and to the availability of budgeted funds, of selling a portion of vacation leave to the City (as scheduled), provided that at least eighty (80) hours of vacation leave is taken during the calendar year.

New employees accrue vacation leave from the date of employment, but are not eligible to take vacation leave until completing six (6) months of employment.

Upon resignation, any accrued vacation will be paid in lump sum. Upon retirement, accrued vacation may be paid in lump sum or taken as time off before the retirement date.

Employees may accrue vacation leave in excess of the maximum allowable annual vacation hours during any calendar year. However, employees must use the excess vacation hours accrued prior to January 1st as shown in Schedule 3 below:

Schedule 3: Vacation Accrual Limits (Fire Department Shifts)

Completed Service	Employees Hired Before April 2, 1985	Employees Hired After April 2, 1985
0 through 6 years	168 hours (200 hours)	168 hours (200 hrs)
7 through 14 years	240 hours (304 hours)	240 hours (304 hrs)
15 through 19 years	336 hours (400 hours)	-
15 or more years	-	336 hours (400 hrs)
20 or more years	408 hours (494 hours)	-

If an employee fails to use his vacation hours in excess of the maximum allowable hours by January 1st of each calendar year, he will lose the use of those excess hours.

The City of Maryville, Tennessee, accounts for compensated absences in conformity with the *Governmental Accounting Standards Board (GASB) Statement Number 16*, whereby a liability is accrued for the amounts employees are entitled to receive for future absences. Such accruals include related costs such as payroll taxes and retirement contributions as required by *GASB Statement Number 16*.

(L) LONG-TERM OBLIGATIONS:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Debt premiums and discounts are deferred and amortized over the life of the debt. Debt payable is reported net of the applicable premium or discount.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) LONG-TERM OBLIGATIONS (Continued):

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, in the period in which the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Proprietary fund financial statements recognize debt premiums and discounts as deferrals that are amortized to interest expense over the life of the debt. Debt payable is reported net of the applicable premium or discount. Under GASB statement No. 62, debt issue costs that are recovered through rate charges established by the regulatory authority are recognized as deferred regulatory charges. They are amortized over the life of the debt.

(M) INTERFUND TRANSACTIONS:

Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of electric and water/sewer services to other City departments and the Internal Service risk management or health charges which are recorded as revenue and expenditures in the appropriate funds. All other interfund transactions are reported as transfers.

(N) FUND BALANCE:

Governmental fund equity is classified as fund balance. The City follows Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually are required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- c. Committed fund balances comprise those amounts that are set aside for a specific purpose by the City's highest level of decision making authority (City Council) through its highest level of formal action (ordinance). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- d. Assigned fund balances consist of amounts that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making body. Assigned fund balances may not cause a deficit in unassigned fund balance.
- e. Unassigned fund balances consist of excess funds that have not been classified in the previous four categories. The general fund is the only governmental fund that reports positive unassigned fund balance.

Significant aspects of the City's fund balance policy are as follows:

The City Council has retained the authority to assign funds for specific purposes.

When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(O) STATEMENTS OF CASH FLOWS:

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. For the purposes of the statement of cash flows, all pooled cash is also considered to be cash equivalents. This is due to the fact that the Proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits. In a statement of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

(P) USE OF ESTIMATES:

The preparation of basic 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 amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

(Q) COMPARATIVE TOTAL DATA:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations.

(R) PENSIONS:

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 Maryville’s participation in the Public Employee Retirement Plan, the Teacher Legacy Pension Plan, and the Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and the additions to/deductions from Maryville’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan, the Teacher Legacy Pension Plan, and the Teacher Retirement Plan of TCRS. Investments are reported at fair value.

(S) IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT:

In June 2012 the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014. This statement revises existing standards for measuring and reporting pension liabilities for pensions provided by the City to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. The City implemented this standard effective July 1, 2014. The City’s beginning Net Position at that date was restated to reflect the effects of this pronouncement as follows:

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Net Position, July 1, 2014	\$ 74,022,527	\$ 93,537,806	\$ 167,560,333
Recognition of pension liability	<u>(9,973,021)</u>	<u>(1,726,314)</u>	<u>(11,699,335)</u>
Restated Net Position, July 1, 2014	<u>\$ 64,049,506</u>	<u>\$ 91,811,492</u>	<u>\$ 155,860,998</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

Total fund balances of the City’s governmental funds differ from net position of governmental activities reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental fund balance sheets.

Statement of Net Position

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position
Assets:					
Cash	\$ 5,021,740	\$ -	\$ 169,793	\$ -	\$ 5,191,533
Investments	7,253,372	-	-	-	7,253,372
Pooled cash	2,667,825	-	-	-	2,667,825
Pooled investments	18,040,523	-	-	-	18,040,523
Receivables:					
Taxes, net	21,386,144	-	-	-	21,386,144
Accounts, net	254,178	-	245,194	-	499,372
Accrued interest	6,550	-	-	-	6,550
Internal balances	346,739	-	3,182,271	-	3,529,010
Due from other governments	2,490,759	-	-	-	2,490,759
Inventories	49,596	-	386,554	-	436,150
Net pension asset – school employees	-	94,221	-	-	94,221
Deferred refunding losses	-	1,544,956	-	-	1,544,956
Capital Assets, Net	-	134,450,475	351,368	-	134,801,843
	<u>57,517,426</u>	<u>136,089,652</u>	<u>4,335,180</u>	<u>-</u>	<u>197,942,258</u>
Deferred Outflow of Resources					
Pension deferrals	-	3,992,414	-	-	3,992,414
	<u>-</u>	<u>3,992,414</u>	<u>-</u>	<u>-</u>	<u>3,992,414</u>
Liabilities:					
Accounts payable	866,435	-	166,424	-	1,032,859
Accrued payroll	3,123,518	-	-	-	3,123,518
Accrued interest payable	-	146,590	-	-	146,590
Other liabilities	1,852,827	-	-	-	1,852,827
Internal balances	2,501,574	-	610,546	-	3,112,120
Net pension obligation – city employees	-	779,785	-	-	779,785
Accrued post-employment benefit obligations	-	4,308,061	-	-	4,308,061
Long-term debt	-	83,400,545	-	-	83,400,545
Compensated absences	-	1,643,327	-	-	1,643,327
	<u>8,344,354</u>	<u>90,278,308</u>	<u>776,970</u>	<u>-</u>	<u>99,399,632</u>
Deferred Inflow of Resources:					
Deferred revenue	19,702,427	(505,146)	-	-	19,197,281
Pension deferrals	-	11,377,051	-	-	11,377,051
	<u>19,702,427</u>	<u>10,871,905</u>	<u>-</u>	<u>-</u>	<u>30,574,332</u>
Total Deferred Inflow of Resources	<u>19,702,427</u>	<u>10,871,905</u>	<u>-</u>	<u>-</u>	<u>30,574,332</u>
Net Position	<u>\$ 29,470,645</u>	<u>\$ 38,931,853</u>	<u>\$ 3,558,210</u>	<u>\$ -</u>	<u>\$ 71,960,708</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (Continued)

(1) When capital assets (land, rights-of-way/easements, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 194,965,123
Accumulated depreciation	<u>(60,514,648)</u>
	<u>\$ 134,450,475</u>

Bond refunding losses are expended in the governmental funds when incurred, but are capitalized and amortized in the statement of net position.

Bond refunding losses	\$ 2,515,000
Accumulated amortization of bond refunding losses	<u>(970,044)</u>
	<u>\$ 1,544,956</u>

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued post-employment benefit obligations	\$ (4,308,061)
Compensated absences	(1,643,327)
Accrued interest payable	(146,590)
Bonds, capital improvement notes, loans and capital lease obligations (net of \$746,535 accumulated amortization of bond/capital lease obligations premium)	<u>(83,400,545)</u>
	<u>\$ (89,498,523)</u>

Deferred outflows of resources and deferred inflows of resources related to pensions are not reported in the governmental funds. However, such amounts are reported in the statement of net position.

Deferred outflows related to pensions	\$ 3,992,414
Deferred inflows related to pensions	<u>(11,377,051)</u>
	<u>\$ (7,384,637)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. Deferred revenue for the non-current property tax receivables shown on the governmental fund statements is not deferred on the statement of net position.

Deferred tax revenue (non-current)	<u>\$ 505,146</u>
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Net pension assets of the agent plan are not current financial resources and, therefore, are not reported in the governmental funds.

Net pension assets	<u>\$ 94,221</u>
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(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (Continued)

(1) Continued

Net pension obligations of the agent plan are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Net pension obligations \$ (779,785)

(2) Internal service funds are used by management to charge the costs of self-insurance, fleet maintenance, and data processing services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.

\$ 3,558,210

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds differ from the change in net position for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental <u>Funds</u>	Long-term Revenues, <u>Expenditures</u> (3)	Capital- Related <u>Items</u> (4)	Long-term Debt <u>Transactions</u> (5)	Internal Service <u>Funds</u> (6)	Reclass- ifications	Statement of <u>Activities</u>
Revenues							
Taxes:							
Property taxes	\$ 28,818,837	\$ (19,919)	\$ -	\$ -	\$ -	\$ -	\$ 28,798,918
Local option sales taxes	16,182,867	-	-	-	-	-	16,182,867
Other taxes	4,017,698	-	-	-	-	-	4,017,698
Licenses, permits and fees	327,361	-	-	-	-	-	327,361
Intergovernmental:							
State taxes	3,696,406	-	-	-	-	-	3,696,406
Federal grants	2,005,768	-	-	-	-	-	2,005,768
State grants	428,100	-	-	-	-	-	428,100
U.S.D.A. revenues	1,036,561	-	-	-	-	-	1,036,561
Other state revenues	19,203,712	-	-	-	-	-	19,203,712
Other federal revenues	29,552	-	-	-	-	-	29,552
Other local revenues	309,998	-	-	-	-	-	309,998
Charges for services	4,187,186	-	-	-	-	-	4,187,186
Fines, forfeitures, and costs	60,113	-	-	-	-	-	60,113
Investment income	256,400	-	-	-	-	-	256,400
Miscellaneous revenue	2,183,150	53,573	(89,181)	-	-	-	2,147,542
Gain (loss) on deletion of capital assets	<u>-</u>	<u>-</u>	<u>48,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,583</u>
Total Revenues	<u>82,743,709</u>	<u>33,654</u>	<u>(40,598)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,736,765</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

	Total Governmental Funds	Long-term Revenues, Expenditures (3)	Capital- Related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds (6)	Reclass- ifications	Statement of Activities
Expenditures/Expenses							
Current:							
General government	3,700,705	(198,796)	428,925	-	(404,149)	1,292,612	4,819,297
Public safety	8,589,950	(468,801)	603,005	-	-	-	8,724,154
Public works	6,292,611	(185,270)	1,192,499	-	-	(185,285)	7,114,555
Culture & Recreation	2,363,093	-	949,630	-	-	-	3,312,723
Economic development	8,954	9,105	-	-	-	-	18,059
Nondepartmental costs	1,292,612	-	-	-	-	(1,292,612)	-
Education	50,269,984	(1,879,119)	2,364,516	-	-	(1,493,903)	49,261,478
Debt Service:							
Principal retirement	3,138,099	-	-	(3,138,099)	-	-	-
Interest & fiscal fees	2,119,402	12,296	-	42,744	-	593,169	2,767,611
Payments under capital lease	1,254,316	-	-	(661,147)	-	(593,169)	-
Capital Outlay	<u>2,691,341</u>	<u>-</u>	<u>(4,370,529)</u>	<u>-</u>	<u>-</u>	<u>1,679,188</u>	<u>-</u>
Total Expenditures	<u>81,721,067</u>	<u>(2,710,585)</u>	<u>1,168,046</u>	<u>(3,756,502)</u>	<u>(404,149)</u>	<u>-</u>	<u>76,017,877</u>
Other Financing Sources (Uses)/Changes in Net Position							
Transfers In (Out) -							
In-lieu-of-tax payments	1,192,314	-	-	-	-	-	1,192,314
Proceeds from refunding debt	9,998,315	-	-	(9,998,315)	-	-	-
Payments to refunding agent	(9,830,000)	-	-	9,830,000	-	-	-
Change in reserve for inventory	<u>(6,257)</u>	<u>6,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)/Changes in Net Position	<u>1,354,372</u>	<u>6,257</u>	<u>-</u>	<u>(168,315)</u>	<u>-</u>	<u>-</u>	<u>1,192,314</u>
Net Change for the Year	<u>\$ 2,377,014</u>	<u>\$ 2,750,496</u>	<u>\$ (1,208,644)</u>	<u>\$ 3,588,187</u>	<u>\$ 404,149</u>	<u>\$ -</u>	<u>\$ 7,911,202</u>

(3) Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. The revenue is, however, recognized in the government-wide statements. At the time that the revenue is received, it is recorded in the governmental funds and reversed from the government-wide statements.

Property tax \$ (19,919)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrual for compensated absences	\$ (88,088)
Change in accrued interest payable	(12,296)
Change in accrual for post-employment benefit obligations	(765,545)
Change in net pension liability/asset	(685,564)
Change in deferred outflows related to pensions	3,992,414
Change in deferred inflows related to pensions	<u>329,494</u>
	<u>\$ 2,770,415</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas, net position decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures (net of capital expenditures recorded in Internal Service Funds)	\$ 4,370,529
Depreciation expense (net of depreciation expense recorded in the Internal Service Funds)	<u>(5,538,575)</u>
Difference	<u>\$ (1,168,046)</u>

Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.

Deleted capital assets (net)	\$ 40,598
Proceeds	(89,181)
Trade-in Allowance	<u>-</u>
Difference	<u>\$ (48,583)</u>

(5) Bond premium is reported as other financing sources in governmental funds and, thus, has the effect of increasing fund balance because current financial resources have been provided. However, in the statement of activities bond premium is capitalized and amortized.

Amortization of bond premium	<u>\$ 145,824</u>
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Repayment of debt principal is reported as a expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The City's long-term debt was reduced because principle payments were made to holders of long-term debt.

Principal payments made	<u>\$ 13,629,246</u>
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Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the governmental-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Long-term debt increased as follows:

General obligation bonds	<u>\$ 9,998,315</u>
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Amounts paid to debt refunding agents representing losses on debt refunding are reported as other financing uses in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, in the statement of activities these refunding losses are capitalized and amortized.

Amortization of debt refunding losses	<u>\$ 188,568</u>
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(6) Internal service funds are used by management to charge the costs of self-insurance, fleet maintenance, and data processing services to individual funds. The adjustments for internal service funds close those funds by crediting amounts to participating governmental activities to adjust internal service funds' net income for the year.

	<u>\$ 404,149</u>
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(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – PROPERTY TAX:

The City’s property tax is levied each September 1st on the assessed value as listed by the County Assessor and is payable by each November 30th. Beginning December 1st interest and penalty accrued on unpaid property taxes. The lien date is January 1st of the year of levy. The assessed values are established by the County Assessment Board. The City’s tax rate for the year ended June 30, 2015, was \$2.17 per \$100 of assessed value.

Property taxes levied for 2014 and prior years, but uncollected as of June 30, 2015, are recorded as receivables, net of estimated uncollectibles based upon collections in prior years. The Allowance for Uncollectible Property Taxes as of June 30, 2015 is \$144,972. The taxes collected during the fiscal year ended June 30, 2015, and those taxes expected to be collected in the subsequent sixty (60) days, are recognized as revenues in the fiscal year ended June 30, 2015. All other taxes are recorded as deferred revenue.

Property taxes levied for 2015 are recorded as receivables and deferred revenue.

NOTE 4 - CASH AND INVESTMENTS:

The City’s investment policy allows investments in obligations of the U.S. Treasury and other authorized investments as more fully explained in Note 1.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Investments are shown at fair value; except that investments that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices.

Investments in the Local Government Investment Pool are reported at amortized cost. The State Pooled Investment Fund, of which the Local Government Investment Pool is a part, is managed like a SEC 2a-7 fund. The same investment guidelines are followed, but the State Pooled Investment Fund does not report to the SEC. Additional information regarding the Local Government Investment Pool is available from the Local Government Investment Pool, P. O. Box 198785, Nashville, Tennessee 37219-8785 or by calling (615) 532-1163.

The shares in the Local Government Investment Pool are constant dollar. Therefore, the fair value of the position in the Pool is the same as the value of the Pool shares.

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State, and the Governor. Reporting is done monthly, quarterly, and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets SEC 2a-7 requirements and state laws. The collateral pool has received no credit quality rating from a credit rating agency.

During the year ended June 30, 2015, the City had no realized gains or losses from the maturity and sale of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

The City’s total Cash and Investments of \$50,565,621 at June 30, 2015 is classified below:

Table 1: Total Cash and Investments at June 30, 2015

<u>Type</u>	<u>Amount</u>
Petty and working cash	\$ 3,280
Local financial institutions – checking and savings accounts	9,916,978
Certificates of Deposit	2,754,107
U.S. Treasury Notes	2,753,952
Federal Home Loan Mortgage Corp	502,800
Local Government Municipal Bond	500,410
State of Tennessee Local Government Investment Pool	<u>34,134,094</u>
Total Cash and Investments	<u>\$ 50,565,621</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CASH AND INVESTMENTS (Continued):

As of June 30, 2015 the City had the following investments and maturities:

Table 2: Investments and Maturities at June 30, 2015

	Fair Value	Less Than 1 Year	1 – 5 Years	6 – 10 Years	More Than 10 Years
State of Tennessee Local Government Investment Pool	\$ 34,134,094	\$ 34,134,094	\$ -	\$ -	\$ -
Certificates of Deposit	2,754,107	2,754,107	-	-	-
Federal Home Loan Mortgage Corp	502,800	-	502,800	-	-
Local Government Municipal Bond	500,410	500,410	-	-	-
U.S. Treasury Notes	<u>2,753,952</u>	<u>250,175</u>	<u>2,503,777</u>	<u>-</u>	<u>-</u>
Total Investment and Maturities	<u>\$ 40,645,363</u>	<u>\$ 37,638,786</u>	<u>\$ 3,006,577</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates may affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. While the City has no formal policy to limit its interest rate risk, it manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is the measure by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the governing code, the City’s investment policy, or debt agreements, and the actual rating as of the end of year for each investment type.

Table 3: Investments and Ratings at June 30, 2015

	Par Value	Moody’s AAA	S & P AA
U.S. Treasury	\$ 2,750,000	\$ 2,750,000	\$ 2,750,000
Federal Home Loan Mortgage Corp	500,000	-	500,000
State municipal securities	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Investment	<u>\$ 3,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 3,750,000</u>

Concentrations of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. 84% of investments are in the State of Tennessee Local Government Investment Pool. The remaining 16% are invested in certificates of deposits, U.S. Government Securities, and a local government municipal bond. No certificate at any one financial institution exceeded the federal deposit insurance corporation coverage.

Pooled Cash and Investment Accounts - Among the City of Maryville, Tennessee’s various accounts are one (1) checking account and two (2) investment accounts which are shared by various funds in order to reduce the number of accounts used by the City. A summary of this equity in pooled accounts is shown in Table 4.

Table 4: Summary of Equity in Pooled Cash and Investments

<u>Fund</u>	<u>Equity in Pooled Cash</u>	<u>Equity in Pooled Investments</u>
Major Funds:		
General Fund	\$ 2,504,312	\$ 6,157,457
Debt Service Fund	-	8,025,226
Non Major Funds	<u>163,513</u>	<u>3,857,840</u>
	<u>\$ 2,667,825</u>	<u>\$ 18,040,523</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES:

As of June 30, 2015, interfund receivables and payables were as shown in Table 5 below.

Table 5: Interfund Receivables/Payables at June 30, 2015

<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
INTERFUND RECEIVABLES:		INTERFUND PAYABLES:	
General Fund	\$ 16,550	General Fund	\$ 2,081,092
General Purpose School Fund	330,189	General Purpose School Fund	-
Nonmajor Governmental Funds	-	Nonmajor Governmental Funds	420,482
Electric Department	141,085	Electric Department	443,773
Water and Sewer Department	194,256	Water and Sewer Department	130,935
Nonmajor Enterprise Fund	-	Nonmajor Enterprise Fund	177,523
Internal Service Funds	<u>3,182,271</u>	Internal Service Funds	<u>610,546</u>
Total Interfund Receivables	<u>\$ 3,864,351</u>	Total Interfund Payables	<u>\$ 3,864,351</u>

The above balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Transfers during the year are as follows:

Table 6: Interfund Transfers

<u>Transfer From</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Purpose School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
General Fund	\$ -	\$ 4,905,000	\$ 9,222,500	\$ 1,645,194	\$ 15,772,694
Electric Department	992,740	-	-	-	992,740
Water and Sewer Department	<u>499,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,574</u>
	<u>\$ 1,492,314</u>	<u>\$ 4,905,000</u>	<u>\$ 9,222,500</u>	<u>\$ 1,645,194</u>	<u>\$ 17,265,008</u>

The transfers from the General Fund are to fund the operating activities of the receiving fund. The transfers from the Electric Department and Water and Sewer Department are transfers in lieu of payment of taxes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2015 is as follows:

Table 7: Summary of Changes In Capital Asset Activity

	<u>Balance July 1, 2014</u>	<u>Reclass- ifications</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 6,680,451	\$ -	\$ -	\$ -	\$ 6,680,451
Rights-of-way/Easements	122,130	-	-	-	122,130
Construction-in-progress	<u>450,706</u>	<u>-</u>	<u>1,303,141</u>	<u>468,041</u>	<u>1,285,806</u>
Total Non-depreciable Assets	<u>7,253,287</u>	<u>-</u>	<u>1,303,141</u>	<u>468,041</u>	<u>8,088,387</u>
Depreciable Assets:					
Buildings	101,004,058	-	-	-	101,004,058
Improvements	23,608,522	-	1,455,614	-	25,064,136
Infrastructure	18,802,800	-	28,480	-	18,831,280
Capital lease property:					
Buildings (Civic Arts Center)	23,075,000	-	-	-	23,075,000
Communications equipment	1,391,663	-	-	-	1,391,663
Equipment and vehicles	<u>17,511,118</u>	<u>-</u>	<u>2,051,335</u>	<u>438,113</u>	<u>19,124,340</u>
Total Depreciable Assets	<u>185,393,161</u>	<u>-</u>	<u>3,535,429</u>	<u>438,113</u>	<u>188,490,477</u>
Accumulated Depreciation:					
Buildings	25,565,190	-	2,011,414	-	27,576,604
Improvements	5,646,039	-	755,747	-	6,401,786
Infrastructure	9,679,651	-	589,934	-	10,269,585
Capital lease property	4,420,320	-	1,013,219	-	5,433,539
Equipment and vehicles	<u>11,218,094</u>	<u>-</u>	<u>1,274,928</u>	<u>397,515</u>	<u>12,095,507</u>
Total Accumulated Depreciation	<u>56,529,294</u>	<u>-</u>	<u>5,645,242</u>	<u>397,515</u>	<u>61,777,021</u>
Net Depreciable Assets	<u>128,863,867</u>	<u>-</u>	<u>(2,109,813)</u>	<u>40,598</u>	<u>126,713,456</u>
Governmental Activities Capital Assets, Net	<u>\$ 136,117,154</u>	<u>\$ -</u>	<u>\$ (806,672)</u>	<u>\$ 508,639</u>	<u>\$ 134,801,843</u>
Business-type Activities:					
Non-depreciable Assets:					
Land and Land Rights	\$ 1,991,080	\$ -	\$ -	\$ -	\$ 1,991,080
Construction-in-progress	<u>2,283,609</u>	<u>-</u>	<u>7,710,016</u>	<u>6,430,069</u>	<u>3,563,556</u>
Total Non-depreciable Assets	<u>4,274,689</u>	<u>-</u>	<u>7,710,016</u>	<u>6,430,069</u>	<u>5,554,636</u>
Depreciable Assets:					
Utility plant acquisition costs	162,770	-	-	-	162,770
Electric plant in service:					
Transmission	5,160,622	-	642,898	26,767	5,776,753
Distribution	53,478,483	-	2,837,486	522,356	55,793,613
General	6,911,626	-	549,870	181,378	7,280,118
Water plant in service	40,849,828	-	1,572,412	251,839	42,170,401
Sewer plant in service	83,757,656	-	827,203	59,743	84,525,116
Stormwater plant in service	<u>2,080,150</u>	<u>-</u>	<u>887,996</u>	<u>205</u>	<u>2,967,941</u>
Total Depreciable Assets	<u>192,401,135</u>	<u>-</u>	<u>7,317,865</u>	<u>1,042,288</u>	<u>198,676,712</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – CAPITAL ASSETS (Continued):

Table 7: Summary of Changes In Capital Asset Activity (Continued)

	<u>Balance July 1, 2014</u>	<u>Reclass- ifications</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Accumulated Depreciation:					
Utility plant acquisition costs	162,770	-	-	-	162,770
Electric plant in service:					
Transmission	2,235,383	-	131,061	26,767	2,339,677
Distribution	20,797,473	-	1,953,554	527,983	22,223,044
General	4,426,040	-	392,111	129,228	4,688,923
Water plant in service	15,702,216	-	1,269,112	339,123	16,632,205
Sewer plant in service	19,765,143	-	2,136,950	91,041	21,811,052
Stormwater plant in service	194,040	-	104,408	205	298,243
Total Accumulated Depreciation	<u>63,283,065</u>	<u>-</u>	<u>5,987,196</u>	<u>1,114,347</u>	<u>68,155,914</u>
Net Depreciable Assets	<u>129,118,070</u>	<u>-</u>	<u>1,330,669</u>	<u>(72,059)</u>	<u>130,520,798</u>
Business-Type Activities Capital Assets, Net	<u>\$ 133,392,759</u>	<u>\$ -</u>	<u>\$ 9,040,685</u>	<u>\$ 6,358,010</u>	<u>\$ 136,075,434</u>

Depreciation expense was charged to the governmental functions in the government-wide financial statement as follows:

General Government	\$ 535,592
Public Safety	603,005
Public Works	1,192,499
Culture and Recreation	949,630
Education	<u>2,364,516</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 5,645,242</u>

NOTE 7 – LONG-TERM DEBT:

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2015 were as follows:

\$14,750,000 – 2008 General Obligation Refunding, due in annual installments of \$400,000 to \$1,470,000 through June 1, 2021; interest at 4.0% to 5.0%. The proceeds were used to refund existing debt in both general government and business-type activities. At June 30, 2014 the balance for general government and business-type activities was \$555,000 and \$4,805,000 respectively.	\$ 5,360,000
\$44,625,000 – 2009 Local Government Public Improvement, due in annual installments of \$150,000 to \$1,650,000 through June 1, 2033; interest at a variable rate. The proceeds were used to currently refund existing debt in both general government and business-type activities. During the fiscal year ended June 30, 2015 this issue was partially refunded by 2015 General Obligation Refunding Bonds. At June 30, 2015 the balance of \$3,375,000 was for general government activities.	3,375,000
\$11,540,000 – 2009A General Obligation Refunding, due in annual installments of \$180,000 to \$1,680,000 through June 1, 2019; interest at 3.0% to 4.0%. The proceeds were used to currently refund existing debt in general government activities.	4,475,000

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM DEBT (Continued):

General Obligation Bonds. (Continued)

\$16,365,000 – 2009B General Obligation Refunding, due in annual installments of \$375,000 to \$3,810,000 through June 1, 2024; interest at 4.0% to 5.0%. The proceeds were used to currently refund existing debt in both general government and business-type activities. At June 30, 2015 the balance for general government and business-type activities was \$11,555,000 and \$4,810,000 respectively.	16,365,000
\$2,785,000 – 2009C General Obligation Refunding, due in annual installments of \$75,000 to \$1,640,000 through June 1, 2019; interest at 1.25% to 4.50%. The proceeds were used to currently refund existing debt in both general government and business-type activities. At June 30, 2015 the balance for general government and business-type activities was \$1,805,000 and \$595,000 respectively.	2,400,000
\$2,500,000 – 2010 General Obligation Public Improvement, due in annual installments of \$155,000 to \$205,000 through June 1, 2025; interest at 2.0% to 3.50%. The proceeds were used to finance capital acquisitions of business-type activities.	1,775,000
\$14,170,000 – 2010B General Obligation Refunding, due in annual installments of \$1,010,000 to \$2,280,000 through June 1, 2030; interest at 3.5% to 4.0%. The proceeds were used to currently refund existing debt in the general government.	14,170,000
\$9,850,000 – 2015 General Obligation Refunding, due in annual installments of \$1,010,000 To \$2,280,000 through June 1, 2030; interest at 3%. The proceeds were used to partially refund existing debt in the general government.	<u>9,855,000</u>
	<u>57,775,000</u>

Revenue Bonds. The City issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In addition, revenue bonds have been issued to refund revenue bonds. These bonds are generally issued as serial bonds with varying amounts of principal maturing each year. Revenue bonds outstanding at June 30, 2015 were as follows:

\$3,100,000 – 2007 Electric Revenue Bonds, due in installments of \$245,000 to \$300,000 0 through June 1, 2021; interest at 4.0 to 5.0%	\$ 1,630,000
\$34,500,000 – 2008 Water and Sewer Revenue and Tax Bonds – Series A, due in installments of \$250,000 to \$2,750,000 through June 1, 2038; interest at 4.0% to 5.0%	33,250,000
\$4,100,000 – 2008 Water and Sewer Revenue and Tax Bonds – Series B, due in installments of \$190,000 to \$325,000 through June 1, 2028; interest at 4.0% to 5.0%.	<u>3,265,000</u>
	<u>38,145,000</u>

Tennessee Local Government Public Improvement Bond Financing Program Loans. The City participates in the Tennessee Local Government Public Improvement Bond Financing Program under which monies are borrowed from various Public Building Authorities to finance costs of capital projects as stipulated under loan agreements. Such loans outstanding at June 30, 2015 were as follows:

\$2,000,000 – 2006 Tennessee Local Government Public Improvement Bond Financing Program Loan Series B-10-A, due in annual installments of \$225,000 to \$240,000 through June 1, 2017; interest at 5.55% to 5.85%	465,000
\$3,000,000 – 2009 Tennessee Local Government Public Improvement Bond Financing Program Loan Series B-17-A, due in annual installments of \$195,000 to \$275,000 through June 1, 2033; interest at 3% to 4.25%.	<u>1,860,000</u>
	<u>2,325,000</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM DEBT (Continued):

Tennessee State School Bond Authority. During the fiscal year ended June 30, 2010, the City obtained a loan from the Tennessee State School Bond Authority in the amount of \$18,720,000. The proceeds were used to fund the construction of a new school. The note outstanding at June 30, 2015 was as follows:

\$18,720,000 – Tennessee State School Bond Authority Note, due in monthly installments of \$97,342 to \$110,118 through July 1, 2026; non-interest bearing except for any supplemental coupon and any conversion coupon required to be paid 12,976,847

Tennessee Revolving Fund. During the fiscal year ended June 30, 2010, the City was approved for a loan from the Tennessee Revolving Fund in the amount of \$3,840,000. Of the total loan, \$1,920,000 was funded from American Recovery and Reinvestment Act of 2009 funds. Of this amount, \$1,536,000 was subject to principal forgiveness. \$3,840,000 was drawn against the award of which \$2,304,000 was reported as a note payable.

\$2,304,000 – Tennessee Revolving Fund loan, due in monthly payments to begin ninety (90) days after the completion of the project and continuing for twenty (20) years, interest at 2.09%.
continuing for twenty (20) years; interest at 2.09%. 1,915,788
Total Debt Payable \$ 113,137,635

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various debt service funds and revenue bonds reserve funds. The City is in compliance with all significant limitations and restrictions.

Premiums related to the issuance of the General Obligation and Revenue Bonds are being amortized over the life of the bonds.

Variable interest rates are based primarily on the weighted-average bond rate in effect during the quarter.

The following is a summary of debt transactions of the City for the fiscal year ended June 30, 2015:

Table 8: Summary of Debt Transactions

	<u>Debt Payable</u> <u>July 1, 2014</u>	<u>Debt</u> <u>Acquired</u>	<u>Debt</u> <u>Retired</u>	<u>Debt Payable</u> <u>June 30, 2015</u>
Tennessee Local Government Public				
Improvement Bond Financing Program	\$ 2,720,000	\$ -	\$ 395,000	\$ 2,325,000
Tennessee Revolving Fund	2,015,856	-	100,068	1,915,788
Tennessee State School Bond Authority	14,144,946	-	1,168,099	12,976,847
General Obligation Bonds	60,650,000	9,855,000	12,730,000	57,775,000
Revenue Bonds	<u>38,810,000</u>	<u>-</u>	<u>665,000</u>	<u>38,145,000</u>
Totals	<u>\$ 118,340,802</u>	<u>\$ 9,855,000</u>	<u>\$ 15,058,167</u>	<u>\$ 113,137,635</u>

On May 27, 2015, the City issued \$9,855,000 of General Obligation Refunding Bonds, Series 2015, which were used to refund a portion of the 2009A General Obligation Refunding Bond Issue. The bonds were issued at a premium of \$143,315. Of the total proceeds of \$9,998,315, \$9,830,000 was deposited with the refunding escrow agent to refund a portion of the 2009A Issue. The reacquisition price was equal to the carrying value of the refunded debt.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM DEBT (Continued):

The following discloses the City's debt service requirements as of June 30, 2015, for the next five (5) years and in five (5)-year increments thereafter:

Table 9: Debt Service Requirements

Fiscal Years Ending June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 3,203,099	\$ 2,165,355	\$ 2,167,144	\$ 2,292,268	\$ 9,827,866
2017	3,278,099	2,090,161	2,279,268	2,193,882	9,841,410
2018	3,118,099	1,998,387	2,396,440	2,091,251	9,604,177
2019	3,213,099	1,920,196	2,543,648	1,986,093	9,663,036
2020	<u>3,503,099</u>	<u>1,831,208</u>	<u>2,655,916</u>	<u>1,876,073</u>	<u>9,866,296</u>
Subtotal	<u>16,315,495</u>	<u>10,005,307</u>	<u>12,042,416</u>	<u>10,439,567</u>	<u>48,802,785</u>
2021	3,643,099	1,737,220	2,803,220	1,767,945	9,951,484
2022	3,828,099	1,615,346	2,205,572	1,642,492	9,291,509
2023	3,968,099	1,508,295	1,867,972	1,557,880	8,902,246
2024	4,483,099	1,395,608	1,990,432	1,482,470	9,351,609
2025	<u>3,723,099</u>	<u>1,263,008</u>	<u>2,057,940</u>	<u>1,404,074</u>	<u>8,448,121</u>
Subtotal	<u>19,645,495</u>	<u>7,519,477</u>	<u>10,925,136</u>	<u>7,854,861</u>	<u>45,944,969</u>
2026	3,245,857	1,160,808	1,920,496	1,320,819	7,647,980
2027	2,030,000	799,200	2,043,100	1,241,927	6,114,227
2028	2,135,000	718,000	2,155,764	1,155,482	6,164,246
2029	2,340,000	632,600	1,933,488	1,064,164	5,970,252
2030	<u>3,030,000</u>	<u>540,300</u>	<u>2,036,260</u>	<u>980,392</u>	<u>6,586,952</u>
Subtotal	<u>12,780,857</u>	<u>3,850,908</u>	<u>10,089,108</u>	<u>5,762,784</u>	<u>32,483,657</u>
2031	3,650,000	438,000	2,139,128	892,062	7,119,190
2032	3,800,000	297,000	2,100,000	800,500	6,997,500
2033	2,450,000	150,000	2,200,000	706,000	5,506,000
2034	2,090,000	73,500	2,300,000	607,000	5,070,500
2035	<u>360,000</u>	<u>10,800</u>	<u>2,400,000</u>	<u>503,500</u>	<u>3,274,300</u>
Subtotal	<u>12,350,000</u>	<u>969,300</u>	<u>11,139,128</u>	<u>3,509,062</u>	<u>27,967,490</u>
3036	-	-	2,500,000	392,500	2,892,500
2037	-	-	2,600,000	267,500	2,867,500
2038	-	-	<u>2,750,000</u>	<u>137,500</u>	<u>2,887,500</u>
Subtotal	-	-	<u>7,850,000</u>	<u>797,500</u>	<u>8,647,500</u>
Totals	<u>\$ 61,091,847</u>	<u>\$ 22,344,992</u>	<u>\$ 52,045,788</u>	<u>\$ 28,363,774</u>	<u>\$ 163,846,401</u>

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LONG-TERM DEBT (Continued):

The follow is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2015:

Table 10: Summary of Changes in Long-term Liabilities

	<u>Beginning Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Debt Payable:					
Loans payable – Tennessee Local Government Public Improvement Bond Financing Program	\$ 2,720,000	\$ -	\$ 395,000	\$ 2,325,000	\$ 420,000
Loan Payable – Tennessee State School Bond Authority	14,144,946	-	1,168,099	12,976,847	1,168,099
General Obligation bonds payable	47,340,000	9,855,000	11,405,000	45,790,000	1,615,000
Premium on bonds	<u>1,717,562</u>	<u>143,315</u>	<u>145,824</u>	<u>1,715,053</u>	<u>152,393</u>
Total Debt Payable	<u>65,922,508</u>	<u>9,998,315</u>	<u>13,113,923</u>	<u>62,806,900</u>	<u>3,355,492</u>
Other Liabilities:					
Capital lease obligations	21,254,792	-	661,147	20,593,645	684,567
Compensated absences	1,555,239	681,847	593,759	1,643,327	588,943
Accrued post-employment benefit obligations	<u>3,542,516</u>	<u>1,633,470</u>	<u>867,925</u>	<u>4,308,061</u>	<u>-</u>
Total Other Liabilities	<u>26,352,547</u>	<u>2,315,317</u>	<u>2,122,831</u>	<u>26,545,033</u>	<u>1,273,510</u>
Total Long-term Liabilities – Governmental Activities	<u>\$ 92,275,055</u>	<u>\$ 12,313,632</u>	<u>\$ 15,236,754</u>	<u>\$ 89,351,933</u>	<u>\$ 4,629,002</u>
Business-type Activities:					
Debt Payable:					
Loans payable – Tennessee Revolving Fund	\$ 2,015,856	\$ -	\$ 100,068	\$ 1,915,788	\$ 102,144
Revenue bonds payable	38,810,000	-	665,000	38,145,000	685,000
General Obligation bonds payable	13,310,000	-	1,325,000	11,985,000	1,380,000
Premium on bonds	<u>561,981</u>	<u>-</u>	<u>58,537</u>	<u>503,444</u>	<u>58,537</u>
Total Debt Payable	<u>54,697,837</u>	<u>-</u>	<u>2,148,605</u>	<u>52,549,232</u>	<u>2,225,681</u>
Other Liabilities:					
Compensated absences	1,639,514	614,597	590,111	1,664,000	575,382
Accrued post-employment benefit obligations	<u>1,051,266</u>	<u>226,772</u>	<u>100,748</u>	<u>1,177,290</u>	<u>-</u>
Total Other Liabilities	<u>2,690,780</u>	<u>841,369</u>	<u>690,859</u>	<u>2,841,290</u>	<u>575,382</u>
Total Long-term Liabilities - Business-type Activities	<u>\$ 57,388,617</u>	<u>\$ 841,369</u>	<u>\$ 2,839,464</u>	<u>\$ 55,390,522</u>	<u>\$ 2,801,063</u>

For the governmental activities, compensated absences, net pension obligations, and net other post-employment benefit obligations were generally liquidated by the General Fund in prior years.

During the fiscal year ended June 30, 2004 Blount County, Tennessee issued \$1,325,000 in bonds on behalf of the Recreation and Parks Commission for the construction of a new Senior Citizen Center. The City agreed to fund thirty percent (30%) of the debt service payments. For the fiscal year ended June 30, 2015, the City's share of debt service was \$31,849 (\$30,000 principal and \$1,849 interest). Future annual principal payments of \$30,000 to \$37,500 are due through June 30, 2018, and total \$97,500. The bonds bear interest at a variable rate.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM:

(A) CITY OF MARYVILLE:

General Information about the Pension Plan:

Plan description. Employees of Maryville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34 – 37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34 – 37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by the benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	228
Inactive employees entitled to but not yet receiving benefits	299
Active employees	<u>443</u>
	<u>970</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary, Maryville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Maryville were \$2,022,616 based on a rate of 11.26 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Maryville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM:

(A) CITY OF MARYVILLE (Continued)

Net Pension Liability (Asset)

Maryville's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as 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. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real</u>	
	<u>Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based in a blending of the three factors described above.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(A) CITY OF MARYVILLE (Continued):

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Maryville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2013	<u>\$ 67,154,861</u>	<u>\$ 59,057,006</u>	<u>\$ 8,097,855</u>
Changes for the year:			
Service cost	1,482,036	-	1,482,036
Interest	5,049,813	-	5,049,813
Differences between expected and actual experience	(895,947)	-	(895,947)
Contributions – employer	-	1,995,417	(1,995,417)
Contributions – employees	-	864,855	(864,855)
Net investment income	-	9,803,924	(9,803,924)
Benefit payments, including refunds of employee contributions	(2,612,140)	(2,612,140)	-
Administration expense	-	(17,836)	17,836
Net changes	<u>3,023,762</u>	<u>10,034,220</u>	<u>(7,010,458)</u>
Balance at June 30, 2014	<u>\$ 70,178,623</u>	<u>\$ 69,091,226</u>	<u>\$ 1,087,397</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Maryville calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Maryville's net pension liability (asset)	<u>\$ 11,125,118</u>	<u>\$ 1,087,397</u>	<u>\$ (7,226,431)</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, Maryville recognized pension expense of \$24,394.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(A) CITY OF MARYVILLE (Continued):

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Maryville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 746,622
Net difference between projected and actual earnings on pension plan investments	-	4,292,809
Contributions subsequent to the measurement date of June 30, 2014	<u>2,022,616</u>	<u>-</u>
Total	<u>\$ 2,022,616</u>	<u>\$ 5,039,431</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) 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:

Year Ended June 30:	
2016	\$ (1,222,527)
2017	(1,222,527)
2018	(1,222,527)
2019	(1,222,527)
2020	(149,323)
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, Maryville reported a payable of \$229,587 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

(B) City of Maryville School System:

General Information about the Pension Plan

Plan Description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Maryville City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) City of Maryville School System (Continued):

General Information about the Pension Plan (Continued)

The teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Maryville City Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$2,078,187 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Asset. At June 30, 2014, the Maryville City Schools reported an asset of \$94,221 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Maryville City Schools' proportion of the net pension liability was based on Maryville City Schools' employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Maryville City Schools' proportion was 0.579839 percent. The proportion measured as of June 30, 2013 was 0.568225 percent.

Pension income. For the year ended June 30, 2015, Maryville City Schools recognized a pension income of \$53,573.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Maryville City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources on the top of the next page.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) City of Maryville School System (Continued):

General Information about the Pension Plan (Continued)

Deferred outflows of resources and deferred inflows of resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 228,746	\$ -
Net difference between projected and actual earnings on pension plan investments	-	7,763,223
Changes in proportion of Net Pension Liability (Asset)	163,404	-
LEAs contributions subsequent to the measurement date of June 30, 2014	<u>2,078,186</u>	<u>-</u>
Total	<u>\$ 2,470,336</u>	<u>\$ 7,763,223</u>

Maryville City Schools' employer contributions of \$2,078,186 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (1,875,448)
2017	(1,875,447)
2018	(1,875,447)
2019	(1,875,447)
2020	65,358
Thereafter	65,358

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and include some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) City of Maryville School System (Continued):

General Information about the Pension Plan (Continued)

Actuarial assumptions. (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as 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. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based in a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents Maryville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Maryville City Schools' proportionate share of the net pension liability (asset) would be if we were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Maryville City Schools' proportionate share of the net pension liability (asset)	\$ <u>15,891,462</u>	\$ <u>(94,221)</u>	\$ <u>(13,328,634)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) City of Maryville School System (Continued):

General Information about the Pension Plan (Continued)

Payable to the Pension Plan

At June 30, 2015, Maryville City Schools' reported a payable of \$271,603 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

(7) City of Maryville School System

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Maryville City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$8,385, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(C) City of Maryville School System (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension expense. Since the measurement date is June 30, 2014, Maryville City Schools' did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Maryville City Schools' reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Maryville City Schools' contribution subsequent to the measurement date of June 30, 2014	\$ <u>8,385</u>	\$ <u>-</u>

Maryville City Schools' employer contributions of \$8,385 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension asset in the year ended June 30, 2016.

Payable to the Pension Plan

At June 30, 2015 Maryville City Schools' reported a payable of \$1,917 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

(D) CITY OF MARYVILLE UTILITIES RETIREMENT PROGRAM:

The City of Maryville Utilities Retirement Program is a defined contribution plan established under the authority of the Maryville City Council using a money purchase feature. Thus, each employee's accumulated benefits at any point in time are equal to the sum of (1) the "rollover" amount from a plan in effect prior to July 1, 1986, (2) employee and employer contributions, and (3) investment earnings. Because the plan is a defined contribution plan, no unfunded liabilities will exist. The plan is administered by Principal Financial Group. The Plan's provisions and contribution requirements may be amended by the Maryville City Council.

Persons are eligible to participate in the plan upon employment, as there are no age or service requirements. Employees contribute a minimum of three percent (3%) of gross pay, while the Utility contributes eight percent (8%) of gross pay. In addition, employees may elect to contribute an additional four percent (4%) of gross pay, thereby having a total of fifteen percent (15%) of gross pay being invested in the plan.

Employees hired subsequent to June 30, 1988, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS), as fully described in (A) above.

In addition to the retirement plan effective July 1, 1986, for Principal Financial Group members, the Electric Department provides term life insurance in the amount of \$50,000 for each employee through Allianz Life Insurance Company. For all members of the TCRS, life insurance coverage is provided to covered employees. Each policy amount is based upon a member's annual salary, rounded to the nearest \$1,000, with a minimum coverage of \$30,000 and a maximum coverage of \$50,000.

Total pension expense in 2015 was \$179,832 for employees hired after June 30, 1988. Pension expense for those hired before that date is more fully disclosed in (A) above.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(E) DEFERRED COMPENSATION PLAN:

Employees of the City of Maryville may participate in a deferred compensation plan adopted under the provisions of *Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments)*.

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by the International City/County Management Association (ICMA) and established by Section 391:1 of Title 35 of the New Hampshire Revised Statutes Annotated. Prior to July 1, 1997, under the terms of an *IRC Section 457* deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the ICMA, until paid or made available to the employees or beneficiaries, were the property of the City subject only to the claims of the City's general creditors. During the fiscal year ended June 30, 1998, as required by the *Internal Revenue Code Section 457(g)*, the assets of the plan were placed in a trust. Therefore, the assets are not available to the general creditors of the City. As a result, the City does not account for these assets in an agency fund.

(F) DEFINED CONTRIBUTION PLAN:

Maryville City Schools contributes to the Higher Education and Teacher Hybrid Plan, a defined contribution pension plan under section 401(k) of the Internal Revenue Code, for teachers with membership in the Tennessee Consolidated Retirement System after June 30, 2014. This plan is a component of the defined benefit plan reported in Part (C) of this Note. Benefit terms, including contribution requirements, for the Plan are established by Tennessee Code Annotated Title 8, Chapters 34-37 and may be amended by the Tennessee General Assembly. For each employee in the pension plan the Maryville City Schools is required to contribute 5% of annual salary to an individual employee account. Employees have a 2% contribution, with an opt-out feature. For the year ended June 30, 2015 the Maryville City Schools recognized pension expense of \$9,083. Employees are immediately vested on all contributions and earnings on those contributions.

The Maryville City Schools reported a payable of \$931 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

(A) CITY RETIREES:

Plan Description:

The City maintains a single-employer plan whereby certain health benefits are provided to the retiree and their spouse. The plan is a self-insured plan that provides health and prescription drug coverage to those employees who retire with twenty (20) or more years of service. The Plan provides coverage for up to ten (10) years and terminates when the employee reaches age sixty-five (65). The Plan is established under the authority of the City of Maryville City Council and may be amended at any time. The Plan does not issue a stand-alone financial report. Effective July 1, 2014, the plan was amended to provide coverage for up to five (5) years and terminate when the employee reaches age sixty-five (65).

Funding Policy:

The Plan is funded both by the retiree and the City. The retiree has a required annual contribution rate of \$2,472. The rate for eligible dependent coverage is the same. The remaining costs are incurred by the City and are funded by the various funds on a pay-as-you-go basis.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

(B) CITY RETIREES (Continued):

Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	\$	488,829
Interest on Net OPEB Obligation		108,498
Adjustments on Annual Required Contributions		<u>(88,982)</u>
Annual OPEB Costs		508,345
Annual Employer Contribution		<u>(225,885)</u>
Increase in Net OPEB Obligations		282,460
Net OPEB Obligation, July 1, 2014		<u>2,411,059</u>
Net OPEB Obligation, June 30, 2015	\$	<u>2,693,519</u>

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB Obligation are as follows:

Fiscal Year <u>Ending</u>	Annual <u>OPEB Costs</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB Obligation <u>At End of Year</u>
June 30, 2015	\$ 508,345	44.4%	\$ 2,693,519
June 30, 2014	492,177	46.9%	2,411,059
June 30, 2013	467,789	45.8%	2,149,825

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial valuation date		January 1, 2015
Actuarial accrued liability (AAL)	\$	6,195,414
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		6,195,414
Actuarial value of assets as a % of the AAL		0%
Covered payroll		15,864,103
UAAL as a % of Covered payroll		39.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions:

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, projected salary increase of 4.75% and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after eight years. Both rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on a closed basis over a 30-year period beginning with June 30, 2009.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

(B) SCHOOL RETIREES:

The City maintains a single-employer plan whereby certain health benefits are provided to the retiree and their spouse. The plan is a self-insured plan that provides health and prescription drug coverage to those employees who retire after 1999 at age sixty (60) with ten (10) years of service or retire before age sixty (60) with thirty (30) years of Tennessee Consolidated Retirement System service. The plan provides health coverage up to age sixty-five (65). There are some employees who retired prior to 1990 who were eligible to retire with TCRS who are provided coverage through death. The plan was created under the authority of the Maryville Board of Education and may be modified by the Board at any time with 180 days notice.

Funding Policy:

The plan is funded by both the retiree and school system. The retiree has a required contribution rate based on the following table:

	Participants Age	
	Under Age 65	Over Age 65
Retiree	\$ 8,475	\$ 5,205
Spouse	4,238	604

The remaining costs are funded by the school system on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	\$ 1,334,147
Interest on Net OPEB Obligation	98,223
Adjustments on Annual Required Contributions	<u>(80,473)</u>
Annual OPEB Costs	1,351,897
Annual Employer Contribution	<u>(742,788)</u>
Increase in Net OPEB Obligations	609,109
Net OPEB Obligation, July 1, 2014	<u>2,182,723</u>
Net OPEB Obligation, June 30, 2015	<u>\$ 2,791,832</u>

Funding Policy:

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB Obligation are as follows:

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At End of Year
June 30, 2015	\$ 1,334,147	54.9%	\$ 2,791,832
June 30, 2014	1,266,203	57.3%	2,182,723
June 30, 2013	1,189,129	56.0%	1,642,161

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

(C) SCHOOL RETIREES (Continued):

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial valuation date	January 1, 2015
Actuarial accrued liability (AAL)	\$ 13,388,221
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	13,388,221
Actuarial value of assets as a % of the AAL	0%
Covered payroll	26,150,005
UAAL as a % of Covered payroll	51.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the possibility of events far into the future, and actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Methods and Assumptions:

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, projected salary increase of 4.5%, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. Both rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on a closed basis over a 30-year period beginning with June 30, 2009.

NOTE 10 - CONTRACTS WITH THE TENNESSEE VALLEY AUTHORITY (TVA):

The City of Maryville Utilities Electric Department (Utility) has a power contract with TVA whereby the Utility purchases all its electric power from TVA and is subject to restrictions and conditions. The restrictions include prohibitions against diverting Utility assets to other operations of the municipality, securing indebtedness of other operations, or paying more than the Utility's equitable share of tax equivalents.

The Utility participated in TVA's Home Energy Conservation Program prior to July 1, 1989. Under this program, TVA advanced the funds from which the Utility made disbursements for approved customer home insulation and heat pumps. Since October, 1989, the Utility has participated in the Residential Energy Services Program through which TVA advances funds from which the Utility makes interest-bearing loans for approved customer heat pumps. In the event of customer default, the Utility does not have loss exposure.

NOTE 11 - SELF-INSURANCE:

(A) WORKMEN'S COMPENSATION:

Effective September 1, 1979, the City of Maryville, Tennessee, was issued a Certificate of Compliance with the Tennessee Workmen's Compensation Law to operate under the Act as a self-insured employer. The Certificate was issued by the State of Tennessee Department of Labor - Division of Workmen's Compensation.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - SELF-INSURANCE (Continued):

(A) WORKMEN'S COMPENSATION (Continued):

The amounts transferred to the Self-Insured Workmen's Compensation Internal Service Fund are determined by reference to standard Workmen's Compensation rate structures used by insurance companies.

The self-insurance plan is augmented by coverage with the Tennessee Municipal League (TML) Risk Management Pool, whereby coverage is extended for claims over \$300,000 per occurrence and \$300,000 aggregate. Thus, the City was subject to a maximum liability of \$300,000 for workmen's compensation claims during the fiscal year ended June 30, 2015.

(B) EMPLOYEE'S BENEFITS - MEDICAL PLAN:

The City of Maryville, Tennessee, previously entered into a self-insured program for employee medical benefits. The City of Maryville Utilities (Enterprise Funds) and the City of Maryville Board of Education share with the City of Maryville, Tennessee, jointly in the claims filed by their employees, and the rate of the premiums paid into the fund is based on prior experience and insurance company recommendations.

The self-insurance plan is augmented by coverage with Sun Life of Canada, whereby coverage is extended for claims exceeding \$125,000 per employee. Thus, the City was subject to a maximum liability of \$102,125,000 (817 employees at \$125,000 each) for health insurance claims during the fiscal year ended June 30, 2015.

(C) CLAIMS LIABILITIES:

Liabilities of the self-insurance funds are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The self-insurance funds establish claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two (2) fiscal years for each fund are shown in Table 13 below:

The City continues to carry commercial insurance for all other risks of loss, including coverage for buildings and personal property, general and personal injury liability, and automobile liability and physical damage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the prior three (3) fiscal years.

Table 13: Changes in Balance of Claims Liabilities

<u>Fiscal Year</u>	<u>Liability - Beginning</u>	<u>Claims and Changes in Estimates</u>	<u>Fiscal Year Claim Payments</u>	<u>Liability - Ending</u>
Employee Medical Self-Insurance/ Dental Insurance				
2012-2013	\$ -	\$ 8,474,482	\$ 8,474,482	\$ -
2013-2014	-	9,645,463	9,645,463	-
2014-2015	-	7,849,162	7,849,162	-
Retiree Medical Self-Insurance				
2012-2013	\$ -	\$ 1,010,160	\$ 1,010,160	\$ -
2013-2014	-	787,465	787,465	-
2014-2015	-	924,571	924,571	-
Workmen's Compensation Self-Insurance				
2012-2013	\$ -	\$ 192,891	\$ 192,891	\$ -
2013-2014	-	276,647	276,647	-
2014-2015	-	138,853	138,853	-

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – CONSTRUCTION CONTRACTS:

As of June 30, 2015, the City of Maryville, Tennessee had the following commitments with respect to unfinished construction-in-progress:

Table 14: Summary of Construction Contracts in Progress

Project Name	Total Contract or Estimated Amount	Costs Incurred Through June 30, 2015	Estimated Cost to Complete
Secure Entry Addition – School Facilities	\$ 458,000	\$ 182,640	\$ 275,360

NOTE 13 - JOINT VENTURES:

In order to pool resources and share the costs, risks and rewards of providing services for the benefit of the general public, the City of Maryville, Tennessee participates (has an on-going financial interest and financial responsibility) in the following joint ventures.

(A) BLOUNT COUNTY PUBLIC LIBRARY

The Blount County Public Library is funded jointly by the City of Maryville, Blount County, and City of Alcoa, Tennessee, pursuant to an agreement entered into on the effective date January 1, 1969, and continuing until any party shall furnish a six (6) month written notice to terminate its participation.

For the fiscal year ended June 30, 2015, the City of Maryville contributed \$719,616 to the Library.

Summary financial information, as required by generally accepted accounting principles, for the fiscal year ended June 30, 2015, is presented as follows:

Table 15: Blount County Public Library (Summary)

Revenues	\$ 1,105,881
Other Sources – Operating transfers	899,520
Expenditures	<u>(2,387,106)</u>
Excess of Revenues and Other Sources Over Expenditures	(381,705)
Fund Balance – July 1, 2014	<u>1,211,453</u>
Fund Balance – June 30, 2015	<u>\$ 829,748</u>
Total Assets	<u>\$ 865,407</u>
Total Liabilities	<u>\$ 35,659</u>
Fund Balance	<u>\$ 829,748</u>

The Blount County Public Library is reported as a component unit of Blount County, Tennessee. That report may be obtained by writing to Blount County, Tennessee, 341 Court Street, Maryville, TN 37801.

(B) BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Pursuant to an agreement dated August 28, 1984, between the City of Maryville, Blount County, and the City of Alcoa, Tennessee, a Communications Center was established for the purpose of handling emergency calls for the three (3) governmental entities. Effective July 1, 1999, the Blount County Communications Center was combined with the Blount County Emergency Communications District, a component unit of Blount County, Tennessee. The three (3) governmental entities participate in the funding of the District while exercising no direct control over the District.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - JOINT VENTURES:

(B) BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT (Continued)

The Blount County Emergency Communications District is governed by nine (9) directors appointed by the Blount County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Blount County Board of County Commissioners. The District's Board employs coordinators and staff to conduct the daily business of the organization.

For the fiscal year ended June 30, 2015, the City of Maryville, Tennessee contributed \$151,064 to the Blount County Emergency Communications District.

Summary financial information, as required by generally accepted accounting principles, for the fiscal year ended June 30, 2015, is presented below:

Table 16: Emergency Communications District (Summary)

Operating Revenues	\$ 1,320,225
Operating Expenses	<u>1,828,143</u>
Operating Income (Loss)	(507,918)
Non-Operating Revenues	<u>657,002</u>
Net Income	149,084
Net Position – July 1, 2014	<u>2,922,746</u>
Net Position – June 30, 2015	<u>\$ 3,071,830</u>
Total Assets	<u>\$ 5,003,209</u>
Deferred Outflows of Resources	<u>\$ 109,330</u>
Total Liabilities	<u>\$ 1,737,890</u>
Deferred Inflows of Resources	<u>\$ 302,819</u>
Net Position	<u>\$ 3,071,830</u>

The Blount County Emergency Communications District issues a publicly available financial report. A report may be obtained by writing to the Blount County Communications District, P. O. Box 4609, Maryville, TN 37802.

(C) RECREATION AND PARKS COMMISSION

The City of Maryville, Blount County, and the City of Alcoa, Tennessee, jointly participate in the Recreation and Parks Commission (County-Wide) by funding percentages of the operational budget of the Commission. Each governmental entity appoints several persons to serve as commissioners on the Recreation and Parks Commission. The following factors suggest that the Recreation and Parks Commission should not be included in the reporting entity:

- (1) The governing board is solely responsible for operational activities of the Commission.
- (2) The City is neither entitled to operating surpluses nor responsible for operating deficits of the Commission.
- (3) The City's participation is limited to allocated funding as derived by the Commission's operating budget.
- (4) The facilities operated by the Recreation and Parks Commission are open to the public-at-large and not exclusively for enjoyment of residents of the City of Maryville, Tennessee.

For the fiscal year ended June 30, 2015, the City of Maryville, Tennessee contributed \$705,960 to the Recreation and Parks Commission to fund operations.

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2014, (the most recent information available) is presented at top of next page:

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - JOINT VENTURES (Continued):

(C) RECREATION AND PARKS COMMISSION (Continued)

Table 17: Recreation And Parks (Summary)

Revenues	\$ 2,702,279
Expenditures	<u>2,659,362</u>
Excess of Revenues Over Expenditures	42,917
Net position – July 1, 2013	<u>1,275,496</u>
Net position – June 30, 2014	<u>\$ 1,318,413</u>
Total Assets	<u>\$ 1,579,508</u>
Total Liabilities	<u>\$ 261,095</u>
Net Position	<u>\$ 1,318,413</u>

No joint venture debt was reported on the financial statements of the Recreation and Parks Commission as of June 30, 2015. However, Blount County, Tennessee has issued \$1,325,000, in variable-rate bonds on behalf of the Commission’s new Senior Citizen Center. The City of Maryville is responsible for thirty percent (30%) of the debt service on those bonds, as described in Note 7.

Capital Assets of the Recreation and Parks Commission (\$345,434 (net) at June 30, 2014) are included in the Total Assets shown above.

The Recreation and Parks Commission issues a publicly available financial report. A copy may be obtained by writing to Recreation and Parks Commission, 316 Everett High Road, Maryville, TN 37804.

(D) BLOUNT COUNTY CABLE TELEVISION AUTHORITY

The City of Maryville, Blount County, and the City of Alcoa, Tennessee jointly regulate the operation of cable television through the Blount County Cable Television Authority. The Authority is composed of nine (9) appointed members. The Authority funds its budget through the collection of cable television franchise fees from companies under its jurisdiction. After payment of the Authority’s expenses, the residual of those collections is remitted to the County and the two Cities based on point of collection.

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2015, is presented in Table 18.

No joint venture debt was reported on the financial statements of the Authority as of June 30, 2015.

Table 18: Cable Television Authority (Summary)

Revenues	\$ 1,002,295
Expenditures	<u>26,521</u>
Excess of Revenues Over Expenditures Before Franchise Fee Distributions	975,774
Franchise Fee Distributions to County and Cities	<u>975,757</u>
Excess (Deficiency) of Revenues Over Expenditures and Franchise Fee Distributions	17
Net Position - July 1, 2014	<u>18,442</u>
Net Position - June 30, 2015	<u>\$ 18,459</u>
Total Assets	<u>\$ 253,990</u>
Total Liabilities	<u>\$ 235,531</u>
Net Position	<u>\$ 18,459</u>

The Blount County Cable Television Authority issues a publicly available financial report. A copy may be obtained by writing to Blount County Cable Television Authority, P. O. Box 4338, Maryville, TN 37802.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - JOINT VENTURES (Continued):

(E) INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee was organized pursuant to a resolution of the Blount County Quarterly Court in a special called session on September 30, 1969. A certificate of incorporation was received from the Secretary of State of the State of Tennessee dated October 1, 1969. The Industrial Development Board is governed by seven (7) directors. The purpose of the Industrial Development Board is to promote industrial development, provide additional job opportunities in Blount County, Tennessee and surrounding areas, and to exercise the authority and pursue the objectives of an industrial development corporation as provided for in Title 7, Chapter 53, of the Tennessee Code Annotated.

For the fiscal year ended June 30, 2015, the City of Maryville contributed \$1,150,378 to the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (inclusive of payments for the development and operation of three (3) industrial parks as more fully described in Note 14).

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2015, is presented below:

**Table 19: Industrial Development Board of Blount County
and the Cities of Alcoa and Maryville, Tennessee (Summary)**

Revenues	\$ 6,506,048
Expenditures	<u>4,716,464</u>
Excess of Expenditures Over Revenues	1,789,584
 Net Position – July 1, 2014	 <u>46,246,985</u>
 Net Position – June 30, 2015	 <u>\$ 48,036,569</u>
 Total Assets	 <u>\$ 78,184,573</u>
Total Liabilities	<u>\$ 30,148,004</u>
Net Position	<u>\$ 48,036,569</u>

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee issues a publicly available report. A copy may be obtained by writing to Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, 201 S. Washington Street, Maryville, Tennessee 37804.

NOTE 14 – JOINT DEVELOPMENT OF INDUSTRIAL PARKS:

(A) PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH

Pursuant to an Intergovernmental Cooperation Agreement dated December 16, 1997, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, and the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, the two (2) cities and Blount County agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as two (2) industrial parks. Such financial assistance is to be provided as follows: Blount County – forty percent (40%); City of Maryville – thirty percent (30%); and City of Alcoa – thirty percent (30%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the two (2) industrial parks – the Partnership Park South (Herron property) and the Partnership Park North (Burkhart property). Such overall control shall include the right to approve all sales of property in the

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 – JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued):

(A) PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH (Continued)

Industrial Parks; approve all budgets related to the operation of the Industrial Parks; approve all capital improvements to the Industrial Parks; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Parks.

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, and Blount County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Parks together with other receipts in connection with the operation, development, and maintenance of the Industrial Parks. Also, amounts equivalent to the property taxes received with respect to any property within either of the Industrial Parks is to be contributed to the Industrial Board.

(B) THE PELLISSIPPI RESEARCH CENTRE ON THE OAK RIDGE CORRIDOR

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006 by and among the City of Maryville, Tennessee; the City of Alcoa, Tennessee; Blount County, Tennessee; Knox County, Tennessee; and the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – twenty-five percent (25%); Knox County – twenty-five percent (25%); City of Maryville – twenty-five percent (25%); and City of Alcoa – twenty-five percent (25%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the industrial park. Such overall control shall include the right to approve all sales of property in the Industrial Park; approve all budgets related to the operation of the Industrial Park; approve all capital improvements to the Industrial Park; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Park.

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Park together with other receipts in connection with the operation, development, and maintenance of the Industrial Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon the above percentages.

NOTE 15 - FUND BALANCE:

At June 30, 2015, fund balance is classified as follows:

Table 20: Fund Balance Summary
Major Governmental Funds

	General Fund	General Purpose School Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Nonspendable - Inventory	\$ -	\$ -	\$ -	\$ 49,596	\$ 49,596
Restricted To:					
School construction	-	-	-	578,885	578,885
Streets and roads	-	-	-	1,276,088	1,276,088
Special projects	-	-	-	73,930	73,930
Grant projects	-	-	-	54,184	54,184
Geographic information	-	-	-	103,449	103,449
Committed To:					
Education	-	-	-	387,341	387,341
Drug enforcement	-	-	-	236,252	236,252
Economic development	-	-	-	198,048	198,048
Culture and recreation	-	-	-	73,495	73,495

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 15 - FUND BALANCE (Continued):

At June 30, 2015, fund balance is classified as follows:

Table 20: Fund Balance Summary (Continued)
Major Governmental Funds

	General Fund	General Purpose School Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Assigned To:					
Balance 2016 Budget	896,783	-	-	-	896,783
Capital Projects	-	-	-	403,641	403,641
Education	-	7,940,341	-	388,965	8,329,306
Debt	-	-	8,025,226	-	8,025,226
Drug enforcement	-	-	-	11,794	11,794
Economic development	-	-	-	28,365	28,365
Geographic information	-	-	-	73,813	73,813
Central traffic operation	-	-	-	1,862	1,862
Grant projects	-	-	-	536,260	536,260
Equipment replacement	-	-	-	308,743	308,743
Unassigned	<u>7,820,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,820,364</u>
Totals	<u>\$ 8,717,147</u>	<u>\$7,940,341</u>	<u>\$ 8,025,226</u>	<u>\$ 4,784,711</u>	<u>\$29,467,425</u>

NOTE 16 – RISK FINANCING ACTIVITIES:

It is the policy of the City of Maryville to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health and accident claims. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

The City maintains its funds with financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to at least one hundred five percent (105%) of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Under this assessment agreement, public funds accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

NOTE 17 - PENDING LITIGATION:

The City of Maryville, Tennessee is involved in various litigations arising in the ordinary course of its operations. The City is vigorously defending each of the suits. The outcome of these suits is not presently determinable. However, management believes that if any suit results an unfavorable outcome that its insurance coverage is sufficient to cover any judgment.

Another suit styled Blount County Board of Education v. City of Maryville, Tennessee and City of Alcoa, Tennessee alleges underpayment to the Blount County Board of Education of liquor by the drink tax revenue that was retained by the City. Per Tennessee Code Annotated one-half of the revenue is to be earmarked for education. Blount County Board of Education alleges that they are entitled to a share of this revenue. It is the City's position that since they have a school system, the tax revenues received do not have to be shared with Blount County or the Blount County Board of Education. If the City is unsuccessful in its defense the liability could approximate \$400,000 to \$500,000. No provision for such liability is reflected in financial statements.

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 18- CAPITAL LEASE OBLIGATIONS:

(A) CIVIC ARTS CENTER

On May 2, 2006 the City Council adopted a resolution authorizing the execution of a lease agreement with respect to a Civic Arts Center to be constructed on the campus of Maryville College; approving the issuance of bonds by the Industrial Development Board of Blount County to finance such Civic Arts Center; consenting to the assignment of the City's obligation under the lease agreement; and such other matters with respect to the Civic Arts Center.

The City approved the Industrial Board's issuance of bonds, not to exceed \$33,685,000, for the construction of the Civic Arts Center. The lease obligates the City to pay annually an amount not to exceed 71.43% of the rental payments due, which rental payments shall be an amount equal to a percentage of the principal of and premium, if any, and interest on the Bonds approved under the resolution. The resolution also authorizes the City to levy and collect a direct annual tax sufficient, with any other funds available and pledged, to pay the rental payments due under the lease.

The Industrial Board entered into a fifty (50) year lease with Maryville College to lease the land on which the Civic Arts Center is to be constructed. At the end of the fifty year lease, the Civic Arts Center becomes the property of Maryville College.

Maryville College has committed a total of \$18,000,000 toward the debt service of the bonds. Any amounts paid will reduce the City of Maryville's obligation under the lease. If Maryville College fulfills its commitment, the City's Lease Obligation would be reduced by \$12,857,400.

Interest Rate Risk – Bonds in the amount of \$32,000,000 were issued by the IDB on December 14, 2006. The City's allocation of the 2006 Bonds were refunded on June 16, 2009, by 2009A Bonds issued in the amount of \$23,075,000. Similar to the 2006 Bonds, the 2009A Bonds bear interest at a variable rate. The 2012-2030 maturities of the 2009A Bonds were converted to fixed rate bonds – named 2009C Bonds – on November 15, 2011 with rates between 3% and 5%. As of June 30, 2015, the outstanding par amount of the fixed rate 2009C Bonds is \$12,760,000. The maturities of the variable rate 2009A Bonds due 2031-2036 remain outstanding for a total par amount of \$7,815,000.

As the variable rate 2009A Bonds bear interest at a variable rate, and the lease payments are an amount equal to the total debt service, including interest, the City has risk associated with changes in interest rates. A rate of 4.5% has been used to determine the obligations under the lease for the Series 2009A Bonds outstanding in the amount \$7,815,000. Pursuant to a Reimbursement Agreement dated March 1, 2009, and amended February 1, 2010; July 1, 2012; and March 14, 2014, Branch Banking and Trust Company ("BB&T"), a North Carolina banking corporation, has issued an irrevocable letter of credit for security of the 2009A Bonds. The expiration date of the letter of credit provided by BB&T is July 1, 2017.

The outstanding 2009C Bonds are converted to fixed rate and do not convey interest rate risk for the City.

(B) COMMUNICATIONS EQUIPMENT

On August 3, 2010, and subsequently modified on October 21, 2010, the City entered into an inter-governmental agreement with Blount County, Tennessee, and the City of Alcoa, Tennessee to acquire certain emergency communications equipment. Under the agreement, Blount County, Tennessee is the Lessee of the equipment. In turn the County subleased to the cities of Maryville and Alcoa their prorata share of the equipment. The terms of the agreement require the City to make lease payments of \$918,996 plus interest at 3.97%. Title to the equipment will transfer to each governmental entity based upon its share of the actual equipment acquired.

Changes in Capital lease obligations for the year ended June 30, 2015 is as follows:

Capital Lease Obligation <u>7/1/2014</u>	New Leases Acquired	Payments on Lease <u>Obligations</u>	Capital Lease Obligation <u>6/30/2015</u>
\$ 21,254,792	\$ -	\$ 661,147	\$ 20,593,645

(Continued)

CITY OF MARYVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 18- CAPITAL LEASE OBLIGATIONS (Continued):

The following presents a summary of the Capital Lease Commitments as of June 30, 2015:

<u>Present Value Of Minimum Lease Payments</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
\$ 20,593,645	\$ 11,063,810	\$ 31,657,455

These total minimum lease payments are payable as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 1,527,658
2017	1,544,808
2018	1,545,908
2019	1,557,412
2020	<u>1,571,704</u>
Subtotal	<u>7,747,491</u>
2021 – 2025	7,540,489
2026 – 2030	7,279,850
2031 – 2035	7,590,050
2036	<u>1,499,575</u>
Subtotal	<u>23,909,964</u>
	<u>\$ 31,657,455</u>

NOTE 19 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 18, 2015, which is the date on which the financial statements were issued.

McCammon Avenue Intersection Improvements

On July 20, 2015, a Notice to Proceed with the Construction Phase for the McCammon Avenue Intersection Realignment with Bessemer Street Project was issued by the State of Tennessee Department of Transportation. The road project will replace an existing T intersection with a four-leg intersection, remove a 150 foot offset between two side streets, modify and update traffic signals, and replace an existing outdated drainage system. Total project budget is \$688,000, of which the City's share is \$176,000. Federal and state transportation funds have been awarded for the majority of project funding. Construction should be completed on or before April 30, 2016.

City Council Action Related to Long-Term Debt

On November 3, 2015, City Council adopted a resolution authorizing the issuance of up to \$3,550,000 in fixed rate Series 2016 General Obligation Refunding Bonds for the purpose of refinancing the remaining \$3,375,000 of variable rate Series E-8-A Bonds issued by the Blount County Public Building Authority. The Series 2016 Bonds are expected to be issued in the first quarter of calendar year 2016.

Also on November 3, 2015, City Council adopted a resolution authorizing the prepayment (defeasance) of the remaining variable rate Series 2009A Bonds issued by the Industrial Development Board of Blount County and the Cities of Maryville and Alcoa in the amount of \$7,815,000. A prepayment notice was issued on November 19, 2015, to the Trustee (Regions Bank), Letter of Credit Provider (BB&T), the Program Administrator and the Industrial Development Board. Appropriation of reserves of the City's Debt Service Fund for the purposes of the prepayment was adopted as part of the Fiscal Year 2016 Budget. The effective date for the prepayment of the Series 2009A Bonds is planned for January 6, 2016.

Copies of the complete financial statements of the City for the current Fiscal Year are available at http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx