OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: **"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. 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 Tennessee excise and franchise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$6,850,000
CITY OF GATLINBURG, TENNESSEE
General Obligation Refunding Bonds, Series 2019A

Dated: Date October 25, 2019 | Due: May 1 (see below)

The $6,850,000 General Obligation Refunding Bonds, Series 2019A (the "Bonds") shall be issued by the City of Gatlinburg, Tennessee (the "City" or "Issuer") 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 May 1, 2020 and thereafter on each November 1 and May 1 by check or draft mailed to the owners thereof as shown on the books and records of 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 Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent").

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

Bonds maturing May 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2028.

Due (May 1)	Amount	Interest Rate	Yield	CUSIP**	Due (May. 1)	Amount	Interest Rate	Yield		CUSIP**
2020	$255,000	5.00%	1.35%	367892 XG6	2026	$570,000	5.00%	1.44%		367892 XN1
2021	245,000	5.00	1.35	367892 XH4	2027	600,000	5.00	1.47		367892 XP6
2022	455,000	5.00	1.36	367892 XJ0	2028	630,000	5.00	1.50		367892 XQ4
2023	650,000	5.00	1.37	367892 XK7	2029	660,000	4.00	1.60	c	367892 XR2
2024	685,000	5.00	1.38	367892 XL5	2030	685,000	3.00	1.85	c	367892 XS0
2025	710,000	5.00	1.39	367892 XM3	2031	705,000	3.00	2.00	c	367892 XT8

c = Priced to call on May 1, 2028

This cover page contains certain information for quick reference only. It is not a summary of these issues. 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 approving legal opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters in connection with the Bonds will be passed upon from Sharp and Ripley, PLLC, counsel to the City. It is expected that the Bonds, in book entry only form, will be available for delivery through the facilities of DTC, New York, New York, on or about October 25, 2019.

Cumberland Securities Company, Inc.
Municipal Advisor

September 25, 2019

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, 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, (as defined herein) 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 Bond 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.

CITY OF GATLINBURG, TENNESSEE

OFFICIALS

Mike Werner	*Mayor*
Cindy Cameron Ogle	*City Manager*
Robert L. Holt	*Finance Director*
Ronald E. Sharp	*City Attorney*

COUNCIL MEMBERS

Mark McCown, Vice Mayor

Ryan DeSear

Chad Reagan

Don H. Smith

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

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*.

Issuer	City of Gatlinburg, Tennessee (the "City" or "Issuer"). See APPENDIX B contained herein.
The Bonds	$6,850,000 General Obligation Refunding Bonds, Series 2019A (the "Bonds") of the City, dated October 25, 2019. The Bonds mature each May 1 beginning May 1, 2020 through May 1, 2031, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of providing funds for (i) refinancing, in whole or in part, that certain Outstanding Bonds, as described in the section "REFUNDING PLAN" herein, and (ii) payment of costs incident to the issuance and sale of the Bonds.
Optional Redemption	The Bonds maturing on or after May 1, 2029 are subject to optional redemption prior to maturity on or after May 1, 2028, 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. 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.
Rating	S&P: "AA". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration & Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor; Related Parties; Others", herein.
Underwriter	FTN Financial Capital Markets, Memphis, Tennessee.
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".
General	The 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.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (the

"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 Rule 15c2-12 the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the OFFICIAL STATEMENT, contact Mayor Mike Werner, 1230 Parkway East, Gatlinburg, Tennessee 37738, Telephone: (865) 436-1400; 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

	2014	2015	2016	2017	2018
Beginning Fund Balance	$ 9,069,314	$10,584,663	$13,167,577	$14,042,623	$17,082,349
Revenues	20,293,018	21,963,467	23,544,022	23,836,319	23,850,564
Expenditures	16,483,775	16,927,983	17,169,585	18,627,661	19,733,449
Other Financing Sources:					
Transfers In	-	-	-	-	328,250
Transfers Out	(2,294,459)	(2,452,572)	(5,499,394)	(2,168,932)	(2,377,131)
Excess of Revenues Over (Under) Expenditures	1,514,784	2,582,912	875,043	3,039,726	2,068,234
Ending Fund Balance	**$10,584,663**	**$13,167,577**	**$14,042,623**	**$17,082,349**	**$19,150,586**

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

$7,985,000
CITY OF GATLINBURG, TENNESSEE
General Obligation Refunding Bonds, Series 2019A

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 Gatlinburg, Tennessee (the "City" or "Issuer") of its $6,850,000 General Obligation Refunding Bonds, Series 2019A (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 adopted by the City Council of the City (the "City Council"). The detailed bond resolution (the "Resolution") was adopted by the City Council on July 9, 2019.

The Bonds are being issued for the purpose of providing funds for (i) refinancing, in whole or in part, that certain Outstanding Bonds, as described in the section "REFUNDING PLAN" below, and (ii) payment of costs incident to the issuance and sale of the Bonds.

REFUNDING PLAN

With the proceeds of the Bonds, the City is proposing to refinance all of the City's outstanding: (1) General Obligation Refunding Bonds, Series 2009, dated February 19, 2009 (the "Series 2009 Bonds") maturing June 1, 2020 and thereafter and (2) General Obligation Bonds, Series 2011, dated September 1, 2011 (the "Series 2011 Bonds") maturing May 1, 2020 and thereafter (collectively, the "Outstanding Bonds"). The Outstanding Bonds will be called for redemption within 30 days of the closing.

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date October 25, 2019. Interest on the Bonds will be payable semi-annually on May 1 and November 1, commencing May 1, 2020. The Bonds are issuable in registered book-entry only form 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 City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

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 taxes may be reduced to the extent of direct appropriations from any direct appropriations from the General Fund of the City or other funds of the City to the payment of debt service on the Bonds.

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

OPTIONAL REDEMPTION

Bonds maturing May 1, 2029, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on May 1, 2028 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 Board of the City, 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 Only 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 Only 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 or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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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.

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 rep resenting 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 f or 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 registration agent 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 only 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) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be transferred to the paying agent for the Outstanding Bonds to be held until the redemption thereof; and

(b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

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 obligations of any agency or instrumentality of the United States, which 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 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"), and
- is not a preference item for a bondholder under the federal 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 the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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.

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.

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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) 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 (b) 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 (which may be consolidated into one or more 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 amendment 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 an incumbency certificate, signed by the Mayor and City Recorder acting in their official capacity 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 under the caption 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 opinion is included in “APPENDIX A-Form of Legal Opinion”.

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") 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 rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, 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 rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such ratings should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on September 25, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated September 17, 2019.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (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 $7,898,837.28 (consisting of the par amount of the Bonds, plus a reoffering premium of $1,077,642.10 and less an underwriter's discount of $28,804.82) or 115.311% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the "Municipal 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 Municipal 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 Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal 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 Statement. 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 Municipal 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. including Dissemination Agent 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 as of the date hereof. However, the City has various capital projects in various states of planning which will require additional borrowing 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 by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), 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 issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (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 Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the 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 transaction were made or made in a timely manner as required by Rule 15c2-12. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, 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 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-18;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-19 and B-20;

3. Information about the Bonded Debt Service Requirements – General Fund and Capital Improvement Fund as of the end of such fiscal year as shown on page B-21;

4. Information about the Bonded Debt Service Requirements – Convention Center as of the end of such fiscal year as shown on page B-22;

5. Information about the Bonded Debt Service Requirements – Water and Sewer as of the end of such fiscal year as shown on page B-23;

6. Information about the Bonded Debt Service Requirements – Solid Waste as of the end of such fiscal year as shown on page B-24;

7. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-25;

8. Summary of Revenues, Expenditures and Changes in Fund Balances - General 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. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

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;

   n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

   o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

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 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 this *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 this *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 this *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 15c2-12(b) of the U.S. Securities and Exchange Commission.

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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/ Mike Werner
Mayor

ATTEST:

/s/ Cindy Cameron Ogle
City Recorder

APPENDIX A

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 Gatlinburg, Tennessee (the "Issuer") of the $6,850,000 General Obligation Refunding Bonds, Series 2019A (the "Bonds") dated October 25, 2019. 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. 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, 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) 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 (b) 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.

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,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Gatlinburg (the “City”) was incorporated in 1945 and is located in southeastern Sevier County (the “County”) in eastern Tennessee. Sevier County is located in the eastern portion of the State of Tennessee. The County is bordered to the north by Jefferson County and to the east by Cocke County. The state of North Carolina provides the County's southern border. Blount and Knox Counties make up the County's western border. The City of Sevierville serves as the County seat and is approximately 26 miles east of Knoxville. Other incorporated towns within Sevier County include Pigeon Forge and Pittman Center.

Gatlinburg is the principal resort town and entrance for the Great Smoky Mountains National Park area. The Great Smoky Mountains National Park is located in the center of the eastern half of the United States, is readily accessible to 70% of the country's population and each year draws the largest attendance of any of the National Parks in the United States. Gatlinburg is surrounded by the Park on three sides.

GENERAL

The approximate land area of the County is 385,920 acres, of which 57.6% is devoted to agriculture. In fact, agriculture provides employment for more than 1,000 full and part-time farmers in the County. Principal crops are tobacco, Irish and sweet potatoes, green beans and corn.

Sevierville was designated a Micropolitan Statistical Area (the “mSA”) that had a population of 89,889 according to the 2010 US Census. An mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents.

The County is also part of the Knoxville-Sevierville-Harriman 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 2010 Census estimated that Sevier County’s population was 89,889 and the City of Sevierville was 14,807. The 2010 Census estimated that the City of Pigeon Forge in 2010 was 5,875.

TRANSPORTATION

The County is served by U.S. Highways 411 and 441, and links the City to Interstates 40, 75, and 81 as well as state highways 35, 66, 71 and 321. The County has a trolley system that is the fifth largest mass transit system in the State of Tennessee. It originated in 1980 with only six trolleys, but the fleet has grown to 20-plus trolleys servicing approximately 50 miles of trolley routes.

The Gatlinburg-Pigeon Forge Airport, located ten miles from Gatlinburg, provides facilities for private planes. The airport has parking spaces for 125 aircraft, 45 hangars and a 5,500-foot runway. Construction of a new $1.6 million terminal and a new $2 million aircraft parking ramp was completed in 2009. The McGhee Tyson Airport, located 35 miles away in Knoxville, provides complete passenger and air freight services.

The Douglas Dam is about eight miles from Sevierville and part of the Tennessee River System. The Douglas Reservoir covers about 4,000 acres in the County. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

The *Sevier County School System,* which serves all the cities in the County, is quite extensive serving its citizens with twenty-nine schools. This system had a fall 2017 combined enrollment of over 14,246 students and about 1,004 teachers. Five private/parochial schools and a vocational school also serve the County.

Source: Tennessee Department of Education.

Walters State Community College Sevier County Campus. The 67-acre Sevier County Campus in Sevierville consists of three buildings that provide academic credit classes during the day and evening and non-credit classes/training. Culinary Arts, Hospitality Management and Professional Entertainment courses are provided to address the special educational/training needs of the community.

Walters State Community College, a public two-year higher education institution founded in 1970, is located in Morristown, Tennessee. The college offers programs of study that lead to the Associate of Science, Associate of Arts, and Associate of Applied Science degrees. Fall 2018 enrollment was 6,228 students. There are four principal campuses in Hamblen, Sevier, Greene, and Claiborne counties. Walters State serves ten predominantly rural East Tennessee counties in the mountains and foothills of the Great Smokies and Clinch Mountains. The primary service area includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Sevier, and Union.

Source: Walter State Community College and Tennessee Higher Education Commission.

The Tennessee College of Applied Technology at Morristown Sevierville Campus. The Tennessee College of Applied Technology at Morristown Sevierville (the “TCAT-MS”) is part of a statewide system of 26 vocational-technical schools. The TCAT-MS meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-MS serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The TCAT-MS main campus is located in Hamblen County. Fall 2017 enrollment was 1,223 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

Source: Tennessee College of Applied Technology at Morristown and Tennessee Higher Education Commission.

HEALTHCARE

LeConte Medical Center, a 79-bed acute care hospital, opened in 2010 and is affiliated with Covenant Health. The facility offers o imaging services, 24-hour emergency care, family-centered maternity care, surgical services, and convenient physical therapy clinics, as well as a host of other services to the residents of Sevier County. LeConte Medical Center anchors a campus that includes the Dolly Parton Center for Women's Services, Dr. Robert F. Thomas Professional Building and Thompson Cancer Survival Center for a combined investment of $115 million. The hospital includes new features such as private patient rooms with mountain views, a new 10-bed intensive care step-down unit, a dedicated surgical suite and a sleep center. It also has an expanded emergency department capable of handling more than 50,000 patients a year as well as an on-site heliport. It was named one of the nation's 100 Top Hospitals by Thomson Reuters in 2011.

Covenant Health, headquartered in nearby Knoxville, has nine acute-care hospitals plus inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 10,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians. Covenant Health is a comprehensive health system established in 1996.

Source: Knoxville News Sentinel.

SOCIAL AND DEMOGRAPHIC DATA

The population of the County more than tripled since 1970. According to the 2010 Census, Sevier County's population had grown by 38,846 since 1990. This growth ranked the County as one of the fastest growing counties in Tennessee. This growth is depicted in the chart below:

1970	28,141 persons
1980	41,418 persons
1990	51,043 persons
2000	71,170 persons
2010	89,889 persons

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Social and Economic Characteristics

	National	Tennessee	Sevier County	Pigeon Forge	Sevierville
Median Value Owner Occupied Housing	$193,500	$151,700	$164,000	$169,100	$173,300
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	83.5%	80.1%	84.3%
% Persons with Income Below Poverty Level	12.30%	15.00%	12.6%	16.0%	23.3%
Median Household Income	$57,652	$48,708	$44,473	$35,573	$36,884

Source: U.S. Census Bureau State & County QuickFacts - 2017.

POWER PRODUCTION

Douglas Dam. Douglas Dam is a hydroelectric dam on the French Broad River in Sevier County. The dam is operated by the Tennessee Valley Authority ("TVA"), which built the dam in world record time in the early 1940s to meet emergency energy demands at the height of World War II. Douglas Dam is a straight reinforced concrete gravity-type dam 1705 feet (520 m) long and 202 feet (62 m) high, impounding the 28,420-acre (11,500 ha) Douglas Lake. The water used to generate power at Douglas is used again and again at the nine TVA hydroelectric plants located along the Tennessee River from Knoxville to Paducah, Kentucky. The generating capacity of Douglas's four units combined is 165,600 kilowatts of electricity. The dam was named for Douglas Bluff, a cliff overlooking the dam site prior to construction.

Source: Tennessee Valley Authority.

TOURISM

Sevier County has enjoyed a booming tourist industry. The tourism industry about employs 45% of Sevier County's local workforce and captures about 30% of total industry earnings in Sevier County. The County ranks third in the state for Tourist Spending dollars (about $937 million for 2013). Tourism is the largest contributor to Sevier County's economy. Sevier County ranks second for percentage growth in tourism spending since 2004 (+16.3%). The total tax generated by the Hospitality and Tourism Industry in Sevier County per year is about $116 million. Each Sevier County household pays $2,834 LESS in State and Local taxes as a result of taxes generated by the Hospitality and Tourism Industry. Sevier County ranks lowest in effective property tax rates (.35%) of all 95 counties in Tennessee as a result of the economic impact of tourism. The number of accommodations in the County continues to increase (approximately 60,000 overnight guests can be housed in hotels, condominiums, campgrounds, cabins, etc.).

Source: Sevier County Economic Development Council.

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The following is a breakdown of the activities of the average visitor to the County:

1. Shopping (87%)
2. Scenic Drives (80%)
3. Eating at Unique Restaurants (71%)
4. Smoky Mountains (69%)
5. Historic Sites (57%)
6. Live Music (41%)
7. Dollywood (35%)
8. Antique Shopping (30%)
9. Hiking / Biking (28%)
10. Art Galleries (26%)

The main tourist attraction in the area is the Great Smoky Mountains National Park. The National Park Service ranked the Great Smoky Mountains a top national park in visitor spending. The Smokies estimated nine million visitors spent almost double what was spent at Arizona's Grand Canyon, the next national park on the list.

While the National Park has long been a major attraction to the region, there are a number of tourism attractions in Sevier County to entertain visitors. Family-oriented attractions include museums, an aquarium, water parks, numerous music theaters, go-cart tracks, miniature golf, etc. In addition, more than 200 outlet stores in six malls have greatly expanded the economy, and reduced the seasonality that often affects other tourist destinations. Please see "RECENT DEVELOPMENTS" for information on construction of new projects.

Gatlinburg

Tax Structure
State Sales Tax: 7.00%
Local Option Sales Tax: 2.75%
Amusement Tax: 2.00%
Lodging Tax: 3.00%
Restaurant Tax: 1.50%
Gross Receipts Tax: 1.25%

Gatlinburg tourism is the largest contributor to Sevier County's economy, even though it only has a 2010 U.S. Census population of 3,944. Over 60,000 guests can be lodged every night in accommodations ranging from rustic cabins and chalets, modern motels and motor inns, high-rise hotels, bed & breakfast inns and camping. America's most visited national park is the Great Smoky Mountains.

Gatlinburg offers over 12,000 sleeping rooms including full-service and limited-service hotels and motels, condominiums, chalets, cabins and campgrounds. These accommodations are available with a variety of locations: from downtown overlooking the Little Pigeon River, to a mountaintop overlooking the Smoky Mountains to secluded natural surroundings.

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

Sevier County thought the Great Smokey Mountain National Park. 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.

Dogwood Plaza. The Mellow Mushroom restaurant moved into Dogwood Plaza in 2011. Also located in the Plaza is The Ole Smoky Distillery, which sells legal moonshine and opened for business in 2010. They now have two facilities in Sevier County and distribute its moonshine to 49 states, Canada, Latin America and the Caribbean.

Gatlinburg Convention Center and W.L. Mills Conference Center. Built in 1989, the Gatlinburg Convention Center offers over 148,000 square feet of flexible meeting and exhibit space. Total economic impact of the Convention Center from 1990 to 2008 was $936,729,197. The Great Hall provides 67,000 square feet of exhibit space, 60,000 square feet of which is free-span with a ceiling height of 30 feet. It can accommodate 6,000 people, 350 booths or be divided into three separate halls for smaller events. The Convention Center Gallery area is 38,200 square feet, including 18 meeting rooms, pre-function space, two private parlors and a special VIP/media suite. In March of 2006, an additional 50,000 square feet was added with the opening of W.L. Mills Conference Center adjoining the Convention Center.

Source: The City of Gatlinburg.

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. The City of Gatlinburg in Sevier County is the gateway city to the Park. Over 500,000 acres were set aside in 1934 to form the Park. The Park includes 244,000 acres in Tennessee and 276,000 acres in North Carolina and covers a total 800 square miles. 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 to the Tennessee side of the park during 2016 reached over 6.3 million.

A news release from the park service says the spending supported 10,959 jobs in the local area. The peer-reviewed visitor spending analysis was conducted by U.S. Geological Survey economists along with the National Park Service. The report shows $14.7 billion of direct spending by 283 million park visitors in communities within 60 miles of a national park. According to the report, most visitor spending supports jobs in restaurants, grocery and convenience stores (39 percent); hotels, motels and bed and breakfasts (27 percent); and other amusement and recreation (20 percent).

In 2011 construction was complete on the $3 million, 7,000 square-foot Oconoluftee Visitor Center near Cherokee, N.C. In 2008 construction was completed to build a $4.5 million Twin Creeks Science and Education Center near Gatlinburg. These are the first new major buildings to be built in the Park since the Sugarlands Visitor Center opened in 1964 at the Gatlinburg entrance.

Source: National Park Service.

Nantahala Outdoor Center Great Outpost. The former Open Hearth Restaurant in Gatlinburg was redeveloped into the Nantahala Outdoor Center Great Outpost, a multimillion-dollar, 18,000-square-foot development. Completed in the spring of 2010, the former mountain lodge-style building became one of the largest stores in Gatlinburg and the only LEED-certified retail locations in the Smokies. The Great Outpost has been registered for LEED certification from the U.S. Green Building Council, which rates buildings on cost-efficient and energy-saving building design and construction.

The new store is described as being experiential in nature with strong educational components as well as outdoor activities within the store, such as a 25-foot climbing wall. The Great Outpost offers outdoor activities in the national park including whitewater rafting, flatwater kayaking, fly-fishing, guided hiking, mountain biking, outdoor education programs and nature tours. Nantahala Outdoor Center, based in Bryson City, N.C., is a privately held, employee-owned company and one of the largest employers in Western North Carolina.

Ober Gatlinburg Ski Resort and Amusement Park. Ober Gatlinburg Ski Resort has 8 trails for skiing and snowboarding with rental equipment provided. The Snow Tubing Park opened in 2008 and features nine 400' lanes and a 50' vertical drop. There is an indoor ice arena for year-round skating. The Alpine Slide is a summer slide on one of two 1,800' tracks through woods and ski trials. The Amusement Park has many games, arcades and water rides to provide entertainment year round.

The Aerial Tramway provides transportation to Ober Gatlinburg at the top of Mt. Harrison in the Smoky Mountains. In 2007 a $1 million project replaced the original cable cars Tramway that were originally built in 1973. The Tramway is the safer and more comfortable way to reach the Ski Resort than driving up the mountain road. The tramway has transported over 18 million passengers since opening, with service from downtown Gatlinburg available approximately every 20 minutes and the ride covering a distance of 2.1 miles to the resort. Along the way, riders of all ages enjoy a magnificent panorama of Gatlinburg and the Smokies, taking in the changing seasons and splendor of the mountains.

Source: Ober Gatlinburg Ski Resort and Amusement Park.

Park Vista Hotel. The Park Vista, a Double Tree by Hilton Hotel located in Gatlinburg, is the largest hotel in Sevier County. The hotel has been a landmark in Gatlinburg since it was opened in 1976. The 16-story, 300-room hotel has a circular high-rise design overlooking the Smoky Mountains, two restaurants featuring indoor and outdoor dining and over 25,000 square feet of meeting and conference space. The hotel also includes a fitness center and an indoor pool.

Ripley's Aquarium of the Smokies. Since opening in 2000, the 1.4-million-gallon aquarium is home to more than 11,000 sea animals (over 350 species) and has had more than 10 million visitors. One highlight of the aquarium is a 345-foot–long underwater tunnel at the bottom of the shark tank for visitors to walk through.

Source: The Knoxville Sentinel.

Pigeon Forge

Tax Structure
State Sales Tax: 7.00%
Local Option Sales Tax: 2.75%
Amusement Tax: 2.50%
Lodging Tax: 2.50%
Restaurant Tax: 1.00%
Gross Receipts Tax: 1.00%

The major portion of the commercial activity in Pigeon Forge is devoted to the tourism industry. Pigeon Forge has about a 2010 U.S. Census population of 5,875, yet visitors can boost the daily population to upwards of 50,000. The temporary population gain is the result of approximately 10,000 lodging units inside the city limits-hotels, motels, condominiums, cabins, log homes and campgrounds. The City is visited by more than 11,000,000 tourists a year.
Source: Pigeon Forge Development.

Dollywood Entertainment Park. Dolly Parton's Dollywood theme park is located in Pigeon Forge and is the most popular private attraction in Tennessee. Beginning in 2014, for the next 10 years the park plans to invest $300 million to include new attractions, resorts, and 2500 additional jobs. Dollywood sits on 125 acres and has more than 30 rides and is the 25th largest theme park in the United States. The Park has attendance of over 2.4 million visitors each year, and is Sevier County, Tennessee's largest seasonal employer with over 2,500 employees in the peak season from June through August. Dollywood's Splash Country Water Park is more serene than other parts of the park and should appeal to a slightly different demographic profile. Please see "RECENT DEVELOPMENTS" for information on construction of new projects.

Greenway. The Greenway is a series of connected, meandering hiking and biking trails, some running through heavily populated areas and others wandering into the countryside. The first phase of the Pigeon Forge Greenway was completed in 2006. A 75-acre park with $2 million in trails and a pavilion is also being donated by a developer to the city to connect to the greenways.

LeConte Convention Center. The LeConte Center, a $45 million, 232,000-square-foot multipurpose facility, opened in October of 2013. It is designed to attract trade shows, competitive events and assemblies such as church-organized youth rallies. It is located next to a 1,600-space parking lot and the Pigeon Forge Riverwalk, the City's greenway along the Little Pigeon River. Please see the "RECENT DEVELOPMENTS" for more information.
Source: Pigeon Forge Convention Center.

Music Road Entertainment Park. This Pigeon Forge-sponsored development is based upon the concept of an industrial park, but is specifically designed for Pigeon Forge's industry: tourism and entertainment. The park currently is home to the Smoky Mountain Opry, Country Legends Grill, WonderWorks, and the Hatfield and McCoy Dinner Show. More than $40 million of private investment has been attracted to the park since its creation in 1994, and the businesses within the park generate hundreds of thousands of dollars in tax revenues annually. The only remaining undeveloped tract in the park is currently optioned by the developers of WonderWorks.

Titanic Museum. The $25 million dollar, 30,000 square-foot Titanic Museum is located on the Parkway. This will be second location for a Titanic Museum, the first being located in Branson, Mo. The museum opened in the Spring of 2010.

WonderWorks. WonderWorks in Pigeon Forge is Tennessee's only upside-down attraction and is an amusement park for the mind. This unique attraction that opened in the Summer of 2006 features over 100 interactive hands-on exhibits that is part science museum and part entertainment venue. Wonder Works is located on the Parkway in the former Music Mansion Theater. There are different theme zones, a "far-out gallery" of hands-on items, futuristic art, and two mini-theaters showing 3-D films. The Hoot N Holler dinner show, which seats about 300, is also located inside and was written by a Disney senior writer.

Sevierville

Tax Structure
State Sales Tax: 7.00%
Local Option Sales Tax: 2.75%
Amusement Tax: 2.00%
Lodging Tax: 3.00%
Restaurant Tax: 2.00%

During 2009, Sevierville experienced its first full year with an additional 1,300 hotel rooms in the City's overall inventory. Comfort Suites Interstate, Hampton Inn Interstate, LaQuinta Inn, Wilderness of the Smokies, Fairfield Inn & Suites by Marriott and Holiday Inn Express all opened within the year before. The City has about 14,807 residents for 2010, yet 13 million visitors come every year. The City is small with only 22 square miles, yet it is has almost 2,000 businesses.

Sevierville Convention Center. The $59 million, 247,000-square-foot Sevierville Convention Center opened in 2007 and is a part of the Bridgemont Project on the "billion-dollar highway" in Sevierville. The state-of-the-art Convention Center offers 108,000 square foot Exhibit Hall, 19,000 square foot Ball Room, pre-function space and show office, plus expansive outdoor areas for boat, car, RV, and equipment shows. The Convention Center is next door to two 18-hole golf courses and a 264-room hotel.
Source: Sevierville Convention Center.

Wilderness at the Smokies. Wilderness at the Smokies is an upscale waterpark resort including condos, hotels and nearby event center and golf course. There are 702 rooms total. The resort is a part of the Bridgemont Project on the "billion-dollar highway" in Sevierville. The indoor waterpark is the first of its kind in the East Tennessee area and provides year round entertainment. The 3-acre outdoor waterpark was completed in the summer of 2009. The resort has also built a hotel that will serve the city's Sevierville Convention Center. The Convention Center hotel has 234 rooms and 468 rooms at the River Lodge. Construction of the hotel and indoor waterpark were completed in late 2008. See "RECENT DEVELOPMENTS" for information on an expansion.

Wilderness also built a 4-story, 160 condominium residence properties with views of golf courses, water park and the Smoky Mountains. Several perks of ownership of a residence include indoor and outdoor waterpark admission and the option of using them as rental units. Prices ranged from $100,000 to $500,000, and on the first day the units went up for sale over 70 percent of the condos were sold at almost $41 million dollars. Construction was completed in the summer of 2009.

Source: Wilderness Dells.

Sevier County

Tax Structure
State Sales Tax: 7.00%
Local Option Sales Tax: 2.75%
Lodging Tax: 3.00%

Douglas Reservoir. The Douglas Reservoir extends 43 miles upriver from the Douglas Dam through the foothills of the Great Smoky Mountains. It covers over 4,000 acres of the County before it travels through Jefferson, Sevier, Cocke and Hamblen Counties. It is located mostly in the north-eastern part of the County near Sevierville. Douglas and other TVA reservoirs built during World War II made a historic contribution, providing hydropower to drive the war effort. Under normal conditions, Douglas stores spring rainwater for release during the dry summer and fall months to maintain adequate depth for navigation on the Tennessee River and to generate electricity. Set against the backdrop of the lush, green Smoky Mountain foothills, Douglas attracts two million recreation visitors a year. Picnicking, camping, boating, and fishing are all popular activities at the Reservoir.

Source: Tennessee Valley Authority.

Winterfest. A strategy for conquering the seasonality of the area has been the implementation of the annual Winterfest promotional. A combination of various special entertainment events and businesses extending their seasons, this festival was created by the cities of Sevierville, Gatlinburg and Pigeon Forge to increase tourist activity in the County from November through March. Winterfest puts on an elaborate winter lights display. All three Cities have switched all the incandescent lights to light-emitting diodes, or LEDS. The switch saved over 75 percent on the power bill from the last year only incandescent lights were used (in 2005).

Source: Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

Although tourism is a vital component of the local economy in Sevier County, the industrial sector continues to grow and diversify. There are several industrial parks available to the City and County. *John L. Marshall Industrial Park* is located just 12 miles from Interstate 40 and contains 144 acres with 30 acres left for future development. Full utilities are on site. The County also has access to the *Hodsden-Hicks Industrial Park* within the Sevierville city limits, having 41 acres occupied with industries and the remaining 25 acres available. Full utilities are on site as well. The *Smith Thomas Industrial Park* within the Kodak city limits has over 40 acres available for new industries. Full utilities are on site as well. The *Interstate 40 Industrial Park*, located in Kodak, was completed in late 2014. The 115 acres are available to subdivide. Full utilities are on site.

In 2006 the City of Pigeon Forge created a Tourism Development Zone (the "TDZ") to fund $180 million in projects. Under state law, a TDZ is an area where a city builds an event center and can use special bonds to pay for improvements. The law allows cities to repay the bonds by collecting an increased portion of sales tax revenues in the district. The City is using the TDZ to fund the Events Center and surrounding infrastructure, improvements to City parking, the Jake Thomas Road Connector and more.

In 2004 the City of Sevierville created a Central Business Improvement District (the "CBID") to fund $202 million in projects. Under state law, a CBID are areas where a city builds an event center and can use special bonds to pay for improvements. The law allows cities to repay the bonds by collecting an increased portion of sales tax revenues in the district. The City is using the CBID to fund the Events Center and surrounding infrastructure, improvements to the city golf course, extension of the Veterans Boulevard and more. Every project proposed is either complete or under construction except for a parking garage, which is still under consideration. Please see the "RECENT DEVELOPMENTS" for more information.

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The following is a list of the major employers in the County:

Major Employers in Sevier County

Company	Product	Employees
Dollywood[1]	Amusement Park	4,000
Sevier County Schools	School System	2,750
Tanger Five Oaks Outlet	Retail	2,500
Collier Foods	Restaurant	900
Charles Blalock & Sons4	Asphalt & Concrete	740
LeConte Medical Center	Hospital	657
Sevier County	Government	650
Wilderness at the Smokies	Hotel and Water Park	638
Walmart	Retail	527
Fee Hedrick Family Entertainment	Entertainment	511
Wyndham Vacation[2]	Collections	500
Family Inns of America	Hotels	475
Israel Enterprises	Restaurants	450
City of Pigeon Forge	Government	400
Stokely Hospitality	Restaurants, Catering & Resorts	400
Ripley's Aquarium	Aquarium	371
Diverse Concepts		361
City of Gatlinburg	Government	358
Great Smoky Mtns National Park	National Park	345
Bass Pro Shop	Retail	336
City of Sevierville	Government	332
Ober Gatlinburg	Ski Resort & Amusement Park	307
Johnson Family of Restaurants	Restaurants	300
Dixie Stampede	Dinner Theater	265
Blalock Lumber Co	Asphalt & concrete	250
Federal-Mogul Corp.	Motor Vehicle Parts	250
Old Smokey Distillery	Moonshine Distillery	175
Park Vista Hotel	Hotel	165
TRW-Fuji Valve	Engine Valves	150

[1] Employment figure is based on Operating season; it drops to around 300 during the off-season.
[2] Includes employment from both Knox and Sevier County locations.
Source: Department of Economic & Community Development, City of Sevierville Audit, the City of Gatlinburg Audit and Knoxville News Sentinel - 2018.

EMPLOYMENT INFORMATION

Due to seasonal nature of the tourism and agriculture industries, unemployment rates for the County fluctuate greatly during the course of the year. For instance, 2018's rates ranged from 6.5% in February to 2.5% in May.

For the month of July 2019, the unemployment rate for the Sevierville mSA and Sevier County stood at 3.3% with 56,714 persons employed out of a labor force of 58,634. As of July 2019, the unemployment rate in the Knoxville-Sevierville-Harriman-LaFollette CSA stood at 4.1%, representing 549,327 persons employed out of a workforce of 573,102.

Unemployment

	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**	Annual Average **2018**
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.8%	3.5%
Sevierville mSA & Sevier County	**7.1%**	**6.0%**	**4.9%**	**4.0%**	**3.5%**
Index vs. National	115	113	100	91	97
Index vs. State	108	107	104	105	100
Knoxville-Sevierville-Harriman CSA	**6.4%**	**5.5%**	**4.6%**	**3.7%**	**3.4%**
Index vs. National	103	104	94	84	94
Index vs. State	97	98	98	97	97

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

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ECONOMIC DATA

Per Capita Personal Income

	2013	**2014**	**2015**	**2016**	**2017**
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
Sevierville mSA & Sevier County	**$33,114**	**$34,402**	**$36,061**	**$37,074**	**$38,114**
Index vs. National	74	73	74	74	74
Index vs. State	84	84	84	84	84
Knoxville-Sevierville-Harriman CSA	**$36,786**	**$38,233**	**$39,953**	**$40,847**	**$42,102**
Index vs. National	82	81	82	82	82
Index vs. State	93	93	93	93	92

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

RECENT DEVELOPMENTS

Gatlinburg

Westgate Smokey Mountain Resort & Spa. The wildfires of November 28, 2016 heavily damaged the Westgate Smokey Mountain Resort & Spa. The fire destroyed or damaged 652 out of about 1,000 dwelling units and 65 out of 90 buildings. However, the original check-in building was undamaged, which includes the 60,000-square-foot Wild Bear Falls Indoor Water Park, grocery store, deli and ice cream shop, restaurant, fitness center and swimming pool. The resort reopened ten days after the fire with the remaining dwelling units booked.

Plans were announced at the reopening to include expansion with the reconstruction of the resort. The $150 million construction (which is fully covered by insurance) rebuilt 800 lost units plus add another 100 dwelling units. Also, a new 50,000-square-foot indoor activity center that offers rope and rock climbing was built.

Pigeon Forge

Dollywood Entertainment Park. From 2014-2024 the park plans to invest $300 million to include new attractions, resorts, and 2,500 additional jobs. It's estimated that the new Dollywood investments will add $150 million annually to the local economy. Additionally, more than $7 million in state and local taxes will be generated by the company's 10-year investments. The approximately 2,500 jobs to be created are due to the addition of the resort, primarily in the hospitality and construction industries. First constructed was the $15 million family rollercoaster The FireChaser Express, which opened in March of 2014.

Next was the DreamMore, which is a 306-room resort that opened in the summer of 2015. It was built on 100 acres near the existing Splash Country. The resort has a variety of room sizes and suites available, along with more than 8,000 square feet of indoor meeting space with state-of-the-art technology. Outdoors, the property can accommodate groups as large as 500. The resort also includes a full-service farmhouse restaurant with indoor and outdoor seating, an indoor and outdoor pool, an amphitheater for outdoor entertainment. Guests will also be able to enjoy fire pits and hammocks and a full-service spa.

The $22 million Lightning Rod roller coaster opened in the summer of 2016 and is the fastest wooden roller coaster in the world. The ride propels guests to top speeds of more than 70 miles an hour as has been labeled as one of the most anticipated thrill rides of 2016 by USA Today. It is the single-largest attraction investment in the park.

Dollywood's Splash Country is under construction for a new water slide, the $2.5 million TailSpin Racer, scheduled to be open for the summer of 2017. The Drop Line, a 200-foot tall free fall ride, and Whistle Punk Chaser, a children's roller coaster, will also open in 2017, along with 250 other smaller renovations throughout the Park. The Backstage Restaurant will be transformed into the Front Porch Café. The Blown Glass Shop will be renovated and upgraded from its original 1980's construction. The total cost of the 2017 renovations and additions is $8.5-$9 million.

In early 2018 Dollywood began construction on the $37 million expansion Wildwood Grove, a previously undeveloped five-acre area of the park to build eleven themed attractions, with a restaurant, enclosed family roller coaster, a pendulum-style ride and an indoor play area. It will be the park's largest expansion in its 33-year history.

Hollywood Wax Museum. Formerly located in the Dogwood Plaza in Gatlinburg, the Museum opened a newly constructed building on the Parkway in Pigeon Forge in 2012. The 22,000-square-foot facility includes two floors of celebrity displays and a facade with a 40-foot tall replica of King Kong and a Hollywood-style version of Mount Rushmore. The Museum is also located next to other attractions owned by the same company, the Castle of Chaos and Hannah's Maze of Mirrors.

LeConte Center. The $45 million, 232,000-square-foot multipurpose event facility, the LeConte Center, opened in October of 2013. It is designed to attract trade shows, competitive events and assemblies such as church-organized youth rallies. It is located next to a 1,600-space parking lot and the Pigeon Forge Riverwalk, the City's greenway

The Island in Pigeon Forge. The 22-acre development, the Island in Pigeon Forge, is a retail and entertainment center that opened Phase One in 2013. It contains the 200-foot Great Smoky Mountain Wheel, the largest observation wheel in Tennessee, and a $45 million event center containing numerous restaurants and shops. $5 million were provided by the City of Pigeon Forge for infrastructure improvements, including a road connecting the Parkway.

Phase Two was opened late 2014 with 80 percent of the entire facility leased and with a $2.7 million show fountain and a 132-room four-star hotel. A second location for the Ole Smoky Moonshine opened a 6,000-square-foot still, tasting bar and retail store in The Island in 2014.

Also opened was Jimmy Buffett's Margaritaville restaurant and a 132-room hotel opened in 2014.

In 2015 Paula Deen's Family Kitchen and Paula Deen's The Bag Lady opened at the Island. The Family Kitchen is a full-service restaurant with 300 seating and has a 4,000-square-foot retail store. The Bag Lady restaurant offers sandwiches, salads and sweets.

Ripken Experience Pigeon Forge Youth Baseball Complex. Opened in 2016 and named for the Hall of Fame shortstop Cal Ripken, Jr., the Ripken Experience features six fields that borrow designs from well-known professional ballparks. The 2,749 square-foot facility cost $22.5 million to build and is a tournament spot for 12-and-under baseball and amateur fast-pitch softball. A two-level clubhouse with more than 14,000 square feet offers spectacular views of the Great Smoky Mountains while overlooking each of the six fields on the complex.

Source: Knoxville News Sentinel and The Ripken Experience.

Sevierville

Bridgemont Project. A billion dollars' worth of capital investment projects were completed or announced in 2007 for an eight-mile stretch of Highway 66 in Sevierville leading through Pigeon Forge to Gatlinburg (15 miles away) and the gateway to the Great Smoky Mountains National Park. Anchoring the south end of the "billion-dollar highway" on the Little Pigeon River is the 1,000-acre Bridgemont project, a blend of resort, convention, residential and retail development. The Bridgemont Group's planned $850 million mixed-use upscale development includes the City owned Convention Center, two hotels, two 18-hole golf courses (one championship) and a proposed large shopping center. One of the first projects in the Bridgemont area was the $59 million city-owned Sevierville Convention Center, which opened in 2007. A 234-room hotel including a 40,000-square-foot indoor water park opened in 2008.

If fully completed, Bridgemont could host up to 16,000 visitors with projected annual gross receipts over $600 million dollars. It is estimated that more than 3,300 jobs could be generated for Sevierville.

Dumplin Creek. Anchoring the north end of the "billion-dollar highway" is a flurry of commercial development at the intersection of Interstate 40 and Highway 66. On the south side of I-40, site work was begun on Dumplin Creek, a proposed $150 million, 190-acre retail development project. Dumplin Creek plans call for 800,000 square feet of retail space and 400,000 square feet of entertainment and hospitality offerings. Currently, the project's developers are seeking additional finance and talking to potential tenants. There is no assurance that this project will be completed at this time.

OTICS USA. Automotive parts manufacturer OTICS will invest $69.5 million to build a factory at the new Sevier County Interstate 40 Industrial Park in Sevierville, which will create 117 jobs. The new facility will make engine components for Toyota and should be operational in early 2017. The Japanese company opened a facility in Morristown in 2001, where it has expanded three times and now employees more than 250 people.

Soaky Mountain Waterpark. Wilderness Resorts and Waterparks announced in summer of 2019 the construction of a new waterpark near the Sevierville Convention Center and Wilderness at the Smokies Resort. The new 50-acre outdoor waterpark will feature a 35,000-square-foot wave pool capable of generating waves up to t6 feet high, a winding wave river spanning an area of 24,000 square feet, and multiple water slides. The facility is expected to open May 2020.

Wilderness at the Smokies. In 2017, Wilderness at the Smokies completed a $1.3 million expansion to its Lake Wilderness Outdoor Waterpark. The project includes a new children's play attraction, VIP climate controlled cabanas, a new bar and snack shack and a new outdoor sound system. In 2013, construction was completed on an expansion to the park to include a "dry park" featuring a ropes course, laser tag, bowling and a black-light min-golf course. The multi-million-dollar Adventure Forest expansion (the amount remains undisclosed) increased the park from seven to fourteen acres. With this expansion, the Wilderness at the Smokies will be the second-largest tourist investor in Sevier County, behind Dollywood.

Source: Knoxville News Sentinel, The Mountain Press, the Bridgemont Group, Wilderness Dells.

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CITY OF GATLINBURG, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)	(1) as of June 30, 2019 OUTSTANDING
$ 9,545,000	(4)	General Obligation Refunding Bonds, Series 2009	June 2020	Fixed	$ 1,135,000
7,600,000	(3)	General Obligation Bonds, Series 2011	May 2031	Fixed	6,780,000
9,730,000	(2)	General Obligation Bonds, Series 2012	June 2037	Fixed	9,210,000
6,325,000	(5)	General Obligation Refunding Bonds, Series 2013A	May 2022	Fixed	1,910,000
9,850,000	(2)	General Obligation Bonds, Series 2013B	June 2037	Fixed	9,700,000
7,465,000	(2)	General Obligation Bonds, Series 2014A	June 2037	Fixed	7,365,000
8,465,000	(3)	General Obligation Refunding Bonds, Series 2014B	June 2037	Fixed	1,480,000
3,650,000	(6)	General Obligation Bonds, Series 2016	June 2037	Fixed	2,300,000
$ 62,630,000		**TOTAL BONDED DEBT**			$ 39,880,000
$ 6,850,000	(7)	General Obligation Refunding Bonds, Series 2019A	June 2031	Fixed	$ 6,850,000
(17,145,000)		Less: Bonds Being Refunded / Paid Off			(7,915,000)
(30,695,000)		Less: Revenue Supported Debt			(28,740,000)
$ 21,640,000		**NET BONDED DEBT**			$ 10,075,000

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 GENERAL PURPOSE FINANCIAL STATEMENTS located herein.

(2) These bonds are secured by the full faith and credit of the City. The City intends to make all payments from one-third of its local option sales tax, one-third of its premier resort tax and one-third of its hotel/motel tax. See "Major Sources of Revenue" herein.

(3) These bonds are secured by the full faith and credit of the City. The City intends to make all payments from its Capital Improvement Fund.

(4) Partially paid for by Capital Improvement Fund and Water and Sewer Department and Solid Waste Fund.

(5) Paid for by Capital Improvement Fund and Water and Sewer Fund.

(6) Paid for by Water and Sewer Fund.

CITY OF GATLINBURG, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ended June 30				Unaudited	After Issuance
INDEBTEDNESS	**2015**	**2016**	**2017**	**2018**	**2019**	**2019**
TAX SUPPORTED						
General Obligation Bonds & Notes	$20,535,000	$18,265,000	$15,925,000	$13,510,000	$11,040,000	$10,075,000
TOTAL TAX SUPPORTED	$20,535,000	$18,265,000	$15,925,000	$13,510,000	$11,040,000	$10,075,000
REVENUE SUPPORTED						
Solid Waste and Water & Sewer	$ 2,040,000	$ 1,185,000	$ 4,020,000	$ 3,375,000	$ 2,725,000	$ 2,625,000
Convention Center	35,530,000	33,280,000	30,950,000	28,595,000	26,115,000	26,115,000
TOTAL REVENUE SUPPORTED	$37,570,000	$34,465,000	$34,970,000	$31,970,000	$28,840,000	$28,740,000
TOTAL DEBT	$58,105,000	$52,730,000	$50,895,000	$45,480,000	$39,880,000	$38,815,000
Less: Revenue Supported Debt	-	-	-	-	-	-
Less: Debt Service Funds	(3,932,676)	(5,117,011)	(5,959,384)	(8,023,681)	(8,023,681)	(8,023,681)
NET DIRECT DEBT	$54,172,324	$47,612,989	$44,935,616	$37,456,319	$31,856,319	$30,791,319
PROPERTY TAX BASE						
Estimated Actual Value	$1,823,557,597	$1,807,752,332	$1,813,801,748	$1,589,272,563	$1,938,511,400	$1,938,511,400
Appraised Value	$1,823,557,597	$1,807,752,332	$1,813,801,748	$1,589,272,563	$1,673,323,040	$1,673,323,040
Assessed Value	$549,838,736	$545,012,012	$551,590,494	$492,911,073	$523,533,916	$523,533,916

	For Fiscal Years Ended June 30				Unaudited	After Issuance
DEBT RATIOS	**2015**	**2016**	**2017**	**2018**	**2019**	**2019**
TOTAL DEBT to Estimated Actual Value	3.19%	2.92%	2.81%	2.86%	2.06%	2.00%
TOTAL DEBT to Appraised Value	3.19%	2.92%	2.81%	2.86%	2.38%	2.32%
TOTAL DEBT to Assessed Value	10.57%	9.68%	9.23%	9.23%	7.62%	7.41%
NET DIRECT DEBT to Estimated Actual Value	2.97%	2.63%	2.48%	2.36%	1.64%	1.59%
NET DIRECT DEBT to Appraised Value	2.97%	2.63%	2.48%	2.36%	1.90%	1.84%
NET DIRECT DEBT to Assessed Value	9.85%	8.74%	8.15%	7.60%	6.08%	5.88%
PER CAPITA RATIOS						
POPULATION (1)	4,184	4,206	4,163	4,163	4,163	4,163
PER CAPITA PERSONAL INCOME (2)	$36,061	$37,074	$38,114	$38,114	$38,114	$38,114
Estimated Actual Value to POPULATION	$435,841	$429,803	$435,696	$381,761	$465,653	$465,653
Assessed Value to POPULATION	$131,415	$129,580	$132,498	$118,403	$125,759	$125,759
Total Debt to POPULATION	$13,887	$12,537	$12,226	$10,925	$9,580	$9,324
Net Direct Debt to POPULATION	$12,947	$11,320	$10,794	$8,997	$7,652	$7,396
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	38.51%	33.82%	32.08%	28.66%	25.13%	24.46%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	35.90%	30.53%	28.32%	23.61%	20.08%	19.41%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.
(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF GATLINBURG, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS -
General Fund and Capital Improvement Fund

F.Y. Ended 6/30	Existing Debt - As of June 30, 2019 General Obligation (1)			Less: Bonds Refunded			General Obligation Refunding Bonds, Series 2019A			% 2019 Principal Repaid	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL		Principal	Interest	TOTAL	
2020	$ 2,520,000	$ 314,483	$ 2,834,483	$ (280,000)	$ (253,683)	$ (533,683)	$ 255,000	$ 159,185	$ 414,185	3.72%	$ 2,495,000	$ 219,985	$ 2,714,985	24.76%
2021	1,075,000	264,883	1,339,883	(300,000)	(245,183)	(545,183)	245,000	295,350	540,350		1,020,000	315,050	1,335,050	
2022	715,000	239,483	954,483	(505,000)	(235,283)	(740,283)	455,000	283,100	738,100		665,000	287,300	952,300	
2023	700,000	220,108	920,108	(700,000)	(220,108)	(920,108)	650,000	260,350	910,350		650,000	260,350	910,350	
2024	730,000	198,608	928,608	(730,000)	(198,608)	(928,608)	685,000	227,850	912,850	33.43%	685,000	227,850	912,850	54.74%
2025	765,000	174,523	939,523	(765,000)	(174,523)	(939,523)	710,000	193,600	903,600		710,000	193,600	903,600	
2026	795,000	149,388	944,388	(795,000)	(149,388)	(944,388)	570,000	158,100	728,100		570,000	158,100	728,100	
2027	685,000	125,538	810,538	(685,000)	(125,538)	(810,538)	600,000	129,600	729,600		600,000	129,600	729,600	
2028	715,000	103,275	818,275	(715,000)	(103,275)	(818,275)	630,000	99,600	729,600		630,000	99,600	729,600	
2029	745,000	80,038	825,038	(745,000)	(80,038)	(825,038)	660,000	68,100	728,100	79.71%	660,000	68,100	728,100	86.20%
2030	780,000	55,825	835,825	(780,000)	(55,825)	(835,825)	685,000	41,700	726,700		685,000	41,700	726,700	
2031	815,000	28,525	843,525	(815,000)	(28,525)	(843,525)	705,000	21,150	726,150	100.00%	705,000	21,150	726,150	100.00%
	$11,040,000	$1,954,673	$12,994,673	$ (7,815,000)	$ (1,869,973)	$ (9,684,973)	$ 6,850,000	$ 1,937,685	$ 8,787,685		$ 10,075,000	$2,022,385	$12,097,385	

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 GENERAL PURPOSE FINANCIAL STATEMENTS located herein.

(2) Average Coupon 4.20%.

CITY OF GATLINBURG, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Convention Center

As of June 30, 2019

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% All Principal Repaid
2020	$ 1,180,000	$ 799,768	$ 1,979,768	4.52%
2021	1,205,000	775,793	1,980,793	
2022	1,230,000	751,318	1,981,318	
2023	1,255,000	726,343	1,981,343	
2024	1,240,000	689,318	1,929,318	23.40%
2025	1,275,000	658,068	1,933,068	
2026	1,310,000	624,418	1,934,418	
2027	1,350,000	589,328	1,939,328	
2028	1,395,000	551,808	1,946,808	
2029	1,435,000	509,430	1,944,430	49.30%
2030	1,475,000	463,895	1,938,895	
2031	1,520,000	418,295	1,938,295	
2032	1,570,000	367,840	1,937,840	
2033	1,615,000	316,820	1,931,820	
2034	1,675,000	259,680	1,934,680	79.38%
2035	1,735,000	198,508	1,933,508	
2036	1,795,000	134,913	1,929,913	
2037	1,855,000	68,563	1,923,563	100.00%
	$ 26,115,000	$ 8,904,100	$ 35,019,100	

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 GENERAL PURPOSE FINANCIAL STATEMENTS located herein.

CITY OF GATLINBURG, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water & Sewer
As of June 30, 2019

F.Y. Ended 6/30	Total Bonded Debt Service Requirements: Principal	Interest	TOTAL	% Principal Repaid
2020	$ 215,000	$ 53,385	$ 268,385	8.19%
2021	215,000	49,085	264,085	
2022	230,000	44,785	274,785	
2023	115,000	40,185	155,185	
2024	115,000	37,885	152,885	33.90%
2025	120,000	35,585	155,585	
2026	120,000	33,185	153,185	
2027	125,000	30,785	155,785	
2028	125,000	28,285	153,285	
2029	125,000	25,785	150,785	57.33%
2030	130,000	23,285	153,285	
2031	130,000	20,685	150,685	
2032	135,000	18,085	153,085	
2033	140,000	15,385	155,385	
2034	140,000	12,585	152,585	83.05%
2035	145,000	9,645	154,645	
2036	150,000	6,600	156,600	
2037	150,000	3,300	153,300	100.00%
	$ 2,625,000	$ 488,520	$ 3,113,520	

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 GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

CITY OF GATLINBURG, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Solid Waste

F.Y. Ended 6/30	Existing Debt as of June 30, 2019 Solid Waste (1)			Less: Bonds Prepaid			Total Bonded Debt Service Requirements			% Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	100,000	4,000	104,000	(100,000)	(4,000)	(104,000)	-	-	-	
	$ 100,000	$ 4,000	$ 104,000	$ (100,000)	$ (4,000)	$ (104,000)	$ -	$ -	$ -	

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 GENERAL PURPOSE FINANCIAL STATEMENTS located herein.

(2) The City budgets to account for interest rate and/or basis risk.

FINANCIAL INFORMATION

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

	For the Fiscal year Ended June 30				
Fund Type	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental Funds:					
General	$10,584,663	$13,167,580	$14,042,623	$17,082,352	$19,150,586
Special Tax	3,058,504	3,002,243	2,866,019	3,192,559	3,623,949
Debt Service / Convention Center	4,162,586	3,932,675	5,117,011	5,959,384	8,023,681
Tourism	1,698,091	1,901,122	2,355,071	311,903	898,460
Public Works Construction	2,679,482	333,756	1,756,875	1,426,002	1,426,226
Other Governmental	2,275,648	2,256,807	3,113,459	3,352,932	3,863,107
Total	**$24,458,974**	**$24,594,183**	**$29,251,058**	**$31,325,132**	**$36,986,009**
Proprietary Net Assets:					
Wastewater	$18,100,643	$18,207,448	$18,707,996	$18,823,627	$19,043,528
Water	9,734,332	9,940,148	10,140,375	10,601,143	10,636,036
Total	**$27,834,975**	**$28,147,596**	**$28,848,371**	**$29,424,770**	**$29,679,564**

Source: Comprehensive Annual Financial Reports and Auditors Reports.

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CITY OF GATLINBURG, TENNESSEE

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

	2014	2015	2016	2017	2018
Revenues:					
Taxes	$ 14,988,709	$ 16,524,466	$ 17,931,114	$ 16,776,531	$ 17,327,084
Licenses, Permits, Fines	1,416,891	1,478,831	1,550,337	1,817,682	1,784,402
Intergovernmental Rev.	1,472,703	1,536,212	1,506,598	2,694,569	2,074,827
Use of Money and Property	1,096,236	1,106,208	1,264,128	1,229,290	1,360,904
Charges for Services	1,109,322	1,018,455	1,027,183	1,069,543	1,026,507
Fines and Costs	209,157	299,295	264,662	248,704	276,840
Contributions and Donations	-	-	-	-	-
Total Revenues	$ 20,293,018	$ 21,963,467	$ 23,544,022	$ 23,836,319	$ 23,850,564
Expenditures:					
General government	$ 4,154,133	$ 4,178,765	$ 4,340,244	$ 5,064,248	$ 5,235,118
Public Safety	5,615,327	5,789,642	5,863,855	6,101,465	6,020,647
Public Works	3,525,298	3,536,420	3,517,461	3,885,202	3,735,392
Recreation	2,948,967	2,958,801	3,082,910	2,932,559	2,868,852
Capital Outlay	96,800	364,055	261,565	481,762	1,710,940
Debt Service	143,250	100,300	103,550	162,425	162,500
Total Expenditures	$ 16,483,775	$ 16,927,983	$ 17,169,585	$ 18,627,661	$ 19,733,449
Excess of Revenues Over (Under) Expenditures	$ 3,809,243	$ 5,035,484	$ 6,374,437	$ 5,208,658	$ 4,117,115
Other Financing Sources (Uses):					
Transfers In	$ -	$ -	$ -	$ -	$ 328,250
Transfers Out	(2,294,459)	(2,452,572)	(5,499,394)	(2,803,419)	(2,377,131)
Insurance Recoveries	-	-	-	634,487	-
Bond Proceeds		-	-	-	-
Total	$ (2,294,459)	$ (2,452,572)	$ (5,499,394)	$ (2,168,932)	$ (2,048,881)
Excess of Revenues Over (Under) Expenditures & Other Uses	$ 1,514,784	$ 2,582,912	$ 875,043	$ 3,039,726	$ 2,068,234
Fund Balance July 1	$ 9,069,314	$ 10,584,663	$ 13,167,577	$ 14,042,623	$ 17,082,349
Adjustments	565	2	3	-	3
Fund Balance June 30	**$ 10,584,663**	**$ 13,167,577**	**$ 14,042,623**	**$ 17,082,349**	**$ 19,150,586**

Source: Comprehensive Annual Financial Report for City of Gatlinburg.

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Treasurer. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. 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 or are insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department. 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 that 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 I 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 one-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.

Assessed Valuations. According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to fair market value of 0.8632. The following table shows pertinent data for tax year 2018[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 1,755,512	55%	$ 4,021,792
Commercial and Industrial	267,030,000	40%	773,372,369
Personal Tangible Property	22,174,254	30%	83,387,401
Residential and Farm	232,574,150	25%	1,077,729,838
Total	**$523,533,916**		**$1,938,511,400**

[1]The tax year coincides with the calendar year, therefore, tax year 2018 is actually fiscal year 2018-2019.
Source: 2018 Tax Aggregate Report of Tennessee, and the City of Gatlinburg.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2019 (tax year 2018) is $523,533,916 compared to $492,911,073 for the fiscal year ending June 30, 2018 (tax year 2017). The estimated actual value of all taxable property for tax year 2018 is $1,938,511,400 compared to $1,589,272,563 for tax year 2017.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2014 through 2018 as well as the aggregate uncollected balances for each fiscal year.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**As of June 30, 2018 Amount**	**Pct**
2014	$549,838,736	$0.1592	$871,415	$789,620	90.6%	$12,846	1.5%
2015	545,012,012	0.1592	862,731	814,093	94.4%	14,655	1.7%
2016	551,590,494	0.1592	873,547	828,885	94.9%	20,305	2.3%
2017	492,911,073	0.1592	781,125	746,445	95.6%	34,680	4.4%
2018	523,533,916	0.1592	830,417	**IN PROGRESS**			

[1]The tax year coincides with the calendar year, therefore, tax year 2018 is actually fiscal year 2018-2019.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2018 (tax year 2017), the ten largest taxpayers in the City were as follows:

	Taxpayer	Business Type	Estimated Valuation	% of Total Estimated Actual Valuation
1.	Westgate Resorts Ltd	Timeshares	$14,008,905	2.84%
2.	ILM Rentals, LP	Rental Property	8,701,405	1.77%
3.	Ripley's Aquarium	Attraction	7,870,120	1.60%
4.	Summer Bay Partnership	Timeshares	6,688,400	1.36%
5.	RB Hotel Park Vista, LLC	Hotel	5,666,440	1.15%
6.	Crown Park Resort, LLC	Hotel	4,788,450	0.97%
7.	Airport Road Hotel Partners, LLC	Hotel	4,599,160	0.93%
8.	North Gatlinburg LP	Timeshares	4,418,360	0.90%
9.	Greystone Inc.	Real Estate	4,223,000	0.86%
10.	OLCC Hotels LLC	Hotel	3,803,480	0.77%
	TOTAL		**$64,767,720**	**13.14%**

Source: City of Gatlinburg, Tennessee Department of Finance.

MAJOR SOURCES OF REVENUE OF THE CITY

Gross Receipts Tax. Pursuant to separate ordinances, the City levies the Gross Receipts Tax at a rate of 1 1/4% of gross receipts of persons doing business within the corporate limits of the City. This tax was raised from 1% to 1 1/4% effective August 2, 1989. One-half of the revenues from the rate increase are dedicated to Advertising and one-half to the Capital Improvements Fund. The latter one-half and the new restaurant tax, hereafter discussed under the heading "Restaurant Tax," are set aside to service the debt payable from the Capital Improvement Fund.

Receipts from the Gross Receipts Tax were, for the fiscal years indicated, as follows:

Fiscal Year Ending June 30	Amount
2018	$8,001,319
2017	7,488,283
2016	8,192,060
2015	7,589,718
2014	6,871,181

Source: Gatlinburg Comprehensive Annual Financial Report – Statement of Activities (page 17).

Hotel/Motel Tax. Pursuant to a separate ordinance, the City levies and collects a 3% tax upon the occupancy of any rooms, lodgings, or accommodations furnished to transients. One-third of the proceeds of the tax is used for direct promotion of tourism, one-third is used for tourist related activities, and one-third is deposited in the City's General Fund. One-third of the Hotel/Motel Tax is being used to pay debt service on the Convention Center Bonds. Receipts from the Hotel/Motel Tax, for the years indicated, were as follows:

Fiscal Year Ending June 30	**Amount**
2018	$5,320,808
2017	5,128,193
2016	5,575,873
2015	4,841,959
2014	4,293,161

Source: Gatlinburg Comprehensive Annual Financial Report – Statement of Activities (page 17).

State Sales/Premier Resort Tax. The State of Tennessee levies and collects a 7.0% sales and use tax statewide. The General Assembly passed an increase in this tax from 5 1/2% to 6% effective April 1, 1992 and from 6.0% to 7.0% effective July 1, 2002. This increase was permanently extended as of June 30, 1993 and is to be used in the State's Basic Education Program. The State remits 4.5925% of the remaining 5 1/2% tax to the incorporated municipalities within the State. The portion remitted is allocated among the various municipalities on the basis of population. However, because the City has been designated as a premier type tourist resort, the amount remitted to the City is 4.5925% of the tax actually collected within the boundaries of the City rather than allocating on a population basis. In addition, to assist the City in the financing of the Convention Center, the City also receives from the sales tax an additional amount equal to the 4.5925% of collections within the City. Finally, there is an additional add-on amount received by the City from the sales tax based on a percentage of the base 4.5925% amount.

Receipts from the Sales Tax, for the years indicated, were as follows:

Fiscal Year Ending June 30	**Amount**
2018	$4,345,454
2017	4,193,423
2016	4,480,543
2015	4,012,793
2014	3,590,669

Source: Gatlinburg Comprehensive Annual Financial Report – General Fund Schedule (page 20) and Convention Center Debt Service Fund and 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"), Sevier 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 at 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%); however, the State sales tax rate was raised from five and one-half percent (5 ½%) to six percent (6%) as of April 1, 1992 and from 6.0% to 7.0% as of July 1, 2002. With the additional one-half percent (½%) to the State sales tax, however, the amount of any local option sales tax was capped at 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.

As of July 1, 1991, the sales tax charged within the City totaled eight percent (8%). This represented a five and one-half percent (5 ½%) state sales tax, a two and one-quarter percent (2 1/4%) county-wide sales tax and a one-quarter percent (1/4%) city-wide sales tax. However, on August 20, 1991, the voters of the County approved an increase in the county-wide sales tax in the County to two and one-half percent (2 ½%). In accordance with the Act, the increase in the County-wide sales tax to a level of two and one-half percent (2 ½%) superseded the City-wide local sales tax on October 1, 1991. With the passage of the County-wide sales tax increase, City-wide taxes were eliminated at the end of FY 1992.

Effective July 1, 2009 the sales tax was increased from 2.50% to 2.75% after the residents of the County voted to approve the increase. The new rate will apply to all taxable sales of tangible personal property and taxable services made on or after July 1, 2009 by sellers located in all areas of Sevier County, including the cities of Sevierville, Gatlinburg, Pigeon Forge and Pittman Center.

Source: Tennessee Department of Revenue

The revenues from the County-wide sales taxes are distributed pursuant to the provisions of the Act and other provisions of the Tennessee Code Annotated. Fifty percent (50 percent) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized school systems in the county in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections is divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the situs of collection.

The City's share of the County-wide sales tax for the most recent five fiscal years is as follows:

Fiscal Year Ending June 30	Amount
2018	$6,000,989
2017	5,796,059
2016	6,117,810
2015	5,597,217
2014	5,039,101

Source: Gatlinburg Comprehensive Annual Financial Report – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (page 61).

The City's total tax revenue for the most recent five fiscal years is as follows:

Fiscal Year Ending June 30	Amount
2018	$28,418,115
2017	27,212,880
2016	29,163,719
2015	26,721,969
2014	24,043,426

Source: Gatlinburg Comprehensive Annual Financial Report – General Fund Schedule (page 20).

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. The Board of Mayor and Commissioners of the City has not pledged any local option sales tax proceeds to bonded indebtedness of the City.

Restaurant Tax. Pursuant to a separate ordinance, the City levies and collects a 1 1/2% tax upon the sales of prepared food by restaurants and other similar food service establishments within the City. This tax became effective on August 2, 1989. This revenue and the 1/4 of 1% increase in the gross receipts tax is deposited into the Capital Improvements Fund.

Receipts from the Restaurant Tax, for the years indicated, were as follows:

Fiscal Year Ending June 30	Amount
2018	$1,994,046
2017	1,875,685
2016	2,005,301
2015	1,954,724
2014	1,632,395

Source: Gatlinburg Comprehensive Annual Financial Report – Statement of Activities (page 17).

PENSION PLANS

Certain employees of the City of Gatlinburg 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 the members highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five 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 5 (five) years of service and members who joined prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA), State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Gatlinburg 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 of 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 located herein.

INSURANCE

The City participates in the Tennessee Municipal League Risk Management Pool's self-insurance program for worker's compensation* insurance. This program has been established pursuant of Section 12-9-104(f), Tennessee Code Annotated. The City is required to pay into the program according to a formula, which will be adjusted each year based upon the loss record of the City.

The City is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters.

*General liability, property and public officials' errors and omissions.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF GATLINBURG, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

Prepared by Finance Department

CITY OF GATLINBURG, TENNESSEE

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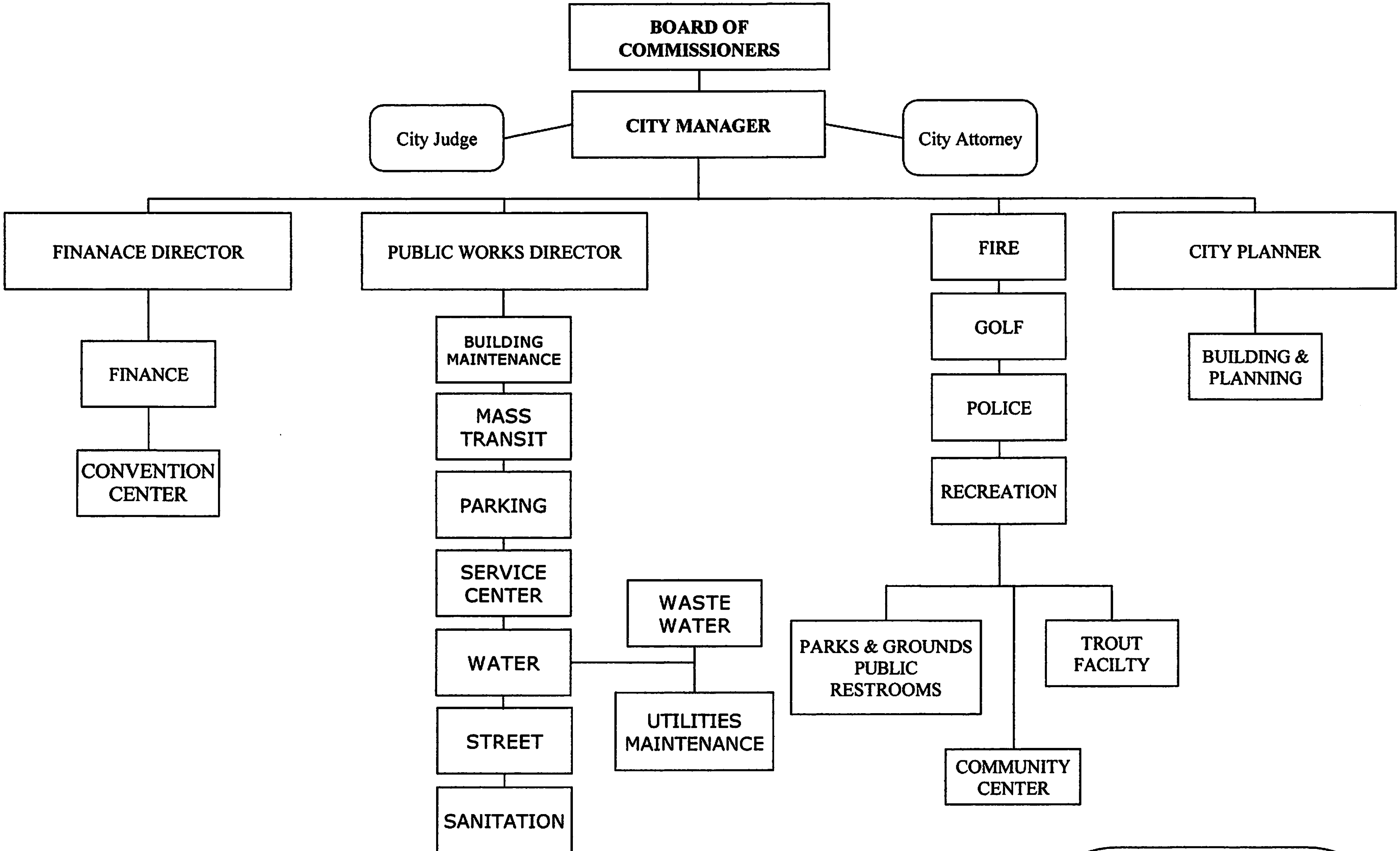
INTRODUCTORY SECTION



City of Gatlinburg
Organizational Structure

CITY OF GATLINBURG, TENNESSEE

LIST OF PUBLICLY ELECTED AND PRINCIPAL OFFICIALS

June 30, 2018

Elected Officials

Mayor	Mike Werner
Vice Mayor	Mark McCown
Commissioner	Hannah Helton Harper
Commissioner	Don Smith
Commissioner	Ryan DeSear *

* As of August 2018

Principal Officials

City Manager	Cindy Cameron Ogle
Finance Director	Robert L. Holt (CMFO Designee)
Chief of Police	Randall Brackins
Fire Chief	Charlie Cole
Recreation Director	Marty Nicely
City Planner	David Ball
Public Works Director	Larry Henderson

We wish to honor the memory of two long-standing elected officials who passed away during the previous Fiscal Year. MIKE HELTON and JERRY HAYES faithfully served the City of Gatlinburg for many years. We cherish their memory and friendship. They will be greatly missed!

FINANCIAL SECTION

PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners and Senior Management
City of Gatlinburg, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, budgetary comparisons for the general fund, special tax fund, tourism fund, and convention center debt service fund, and the aggregate remaining fund information of City of Gatlinburg, Tennessee (the "City") as of and for the year ended June 30, 2018, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, special tax fund, tourism fund, and the convention center debt service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 16, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 5 - 15, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS - Legacy Plan and the schedule of contributions based on participation in the public employee pension plan of TCRS - Legacy Plan on pages 56-57 and the schedule of changes in net pension liability (asset) and related ratios based on participation in the Public Employee Pension Plan of TCRS - Hybrid Plan with Cost Controls and the schedule of contributions based on participation in the Public Employee Pension Plan of TCRS - Hybrid Plan with Cost Controls on pages 58-59 and the schedule of changes in total OPEB liability and related ratios on page 60 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 City of Gatlinburg's basic financial statements. The introductory, supplementary information and other information sections, and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* on pages 112 - 113, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplementary information section as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance 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 supplementary information and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory and other information sections, as listed in the table of contents, 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 11, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gatlinburg's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Gatlinburg, Tennessee, (the "City"), offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year ended June 30, 2018.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $124,753,479 (net position). Of this amount, $36,589,318 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's current year change in net position was an increase of $9,622,473. In addition, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulting in a restatement (reduction) of beginning net position of $1,243,627.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of $36,986,009, an increase of $5,660,877 in comparison with the prior year ending fund balance of $31,325,132.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $17,803,944 or 81% of the total general fund expenditures and operating transfers of $21,782,330.
- The City maintained the Moody's Investor Service rating of "A1" and the S & P rating of "AA" on all the City's outstanding debt.
- This fiscal year's financial activity highlights the significant progress that has been made in recapturing lost revenue and reducing expenditures associated with the effect of the Wildfires of November 2016. An analysis of gross receipts taxes indicates that the City is within 2% of reaching the level of Fiscal Year 2016 which had the highest gross receipts taxes on record. The Water and Wastewater Funds, which were significantly impacted by a material loss of the customer base, also show strong signs of improvement.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report 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 a private-sector business. Activities are considered either as those of the primary government (the government as legally defined) or those of the component unit (a legally separate entity for which the primary government is financially accountable).

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

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

Both 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 General Government, Public Safety, Public Works, including Streets and Sanitation, Recreation, and Tourism Promotion. The business-type activities of the City include a Water Department and a Wastewater Department.

The government-wide financial statements include not only the City itself (the primary government), but also Rocky Top Sports World which is a legally separate entity for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16 and 17 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 financing requirements.

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

Governmental funds statements are provided on a modified accrual basis. The City's major funds are presented in their own columns and the remaining funds are combined with a column titled "Other Governmental Funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules are provided to demonstrate compliance with this budget.

The basic governmental fund financial statements, including reconciliation to the government-wide statements of net position and activities, are presented on pages 18 through 21 of this report.

Proprietary Funds. Enterprise funds are a type of proprietary fund used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 26 through 28 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 on pages 29 through 55 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's changes in net pension liability (asset) and contributions to pension plans. Required supplementary information can be found on pages 56 through 60 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $124,753,479 at the close of the most recent fiscal year.

The City's net investment in capital assets of $83,375,787 (e.g., land, buildings, machinery, and equipment, net of related debt) represents approximately 66.8% of above-referenced net position. The City uses these capital assets to provide services to citizens, consequently, these assets are not 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 cannot be used to liquidate these liabilities.

City of Gatlinburg Condensed Statement of Net Position as of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$ 61,977,009	$ 56,254,748	$ 9,836,810	$ 11,427,929	$ 71,813,819	$ 67,682,677
Capital Assets, Net	82,069,980	82,134,572	24,405,061	24,069,486	106,475,041	106,204,058
Total Assets	144,046,989	138,389,320	34,241,871	35,497,415	178,288,860	173,886,735
Deferred Outflows of Resources	1,456,030	3,071,109	369,114	435,237	1,825,144	3,506,346
Total Assets and Deferred Outflows of Resources	$ 145,503,019	$ 141,460,429	$ 34,610,985	$ 35,932,652	$ 180,114,004	$ 177,393,081
Liabilities						
Current Liabilities	$ 6,433,634	$ 6,579,416	$ 1,679,793	$ 2,691,321	$ 8,113,427	$ 9,270,737
Long-term Liabilities	40,804,855	44,811,149	2,960,120	3,466,542	43,764,975	48,277,691
Total Liabilities	47,238,489	51,390,565	4,639,913	6,157,863	51,878,402	57,548,428
Deferred Inflows of Resources	3,190,615	3,231,928	291,508	238,092	3,482,123	3,470,020
Net Position						
Net Investment in Capital Assets	61,915,799	57,393,013	21,459,988	21,592,302	83,375,787	78,985,315
Restricted	4,378,617	2,714,906	409,757	214,890	4,788,374	2,929,796
Unrestricted	28,779,499	26,730,017	7,809,819	7,729,505	36,589,318	34,459,522
Total Net Position	95,073,915	86,837,936	29,679,564	29,536,697	124,753,479	116,374,633
Total Liabilities, Deferred Inflows and Net Position	$ 145,503,019	$ 141,460,429	$ 34,610,985	$ 35,932,652	$ 180,114,004	$ 177,393,081

An additional portion of the City's net position ($4,378,617 or 3.84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $36,589,318 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's change in net position was an increase of $9,622,473 during the current fiscal year as explained below. In addition, a restatement to the fiscal year 2018 beginning net position, based on a change in method of accounting for OPEB, decreased the total net position by $1,243,627.

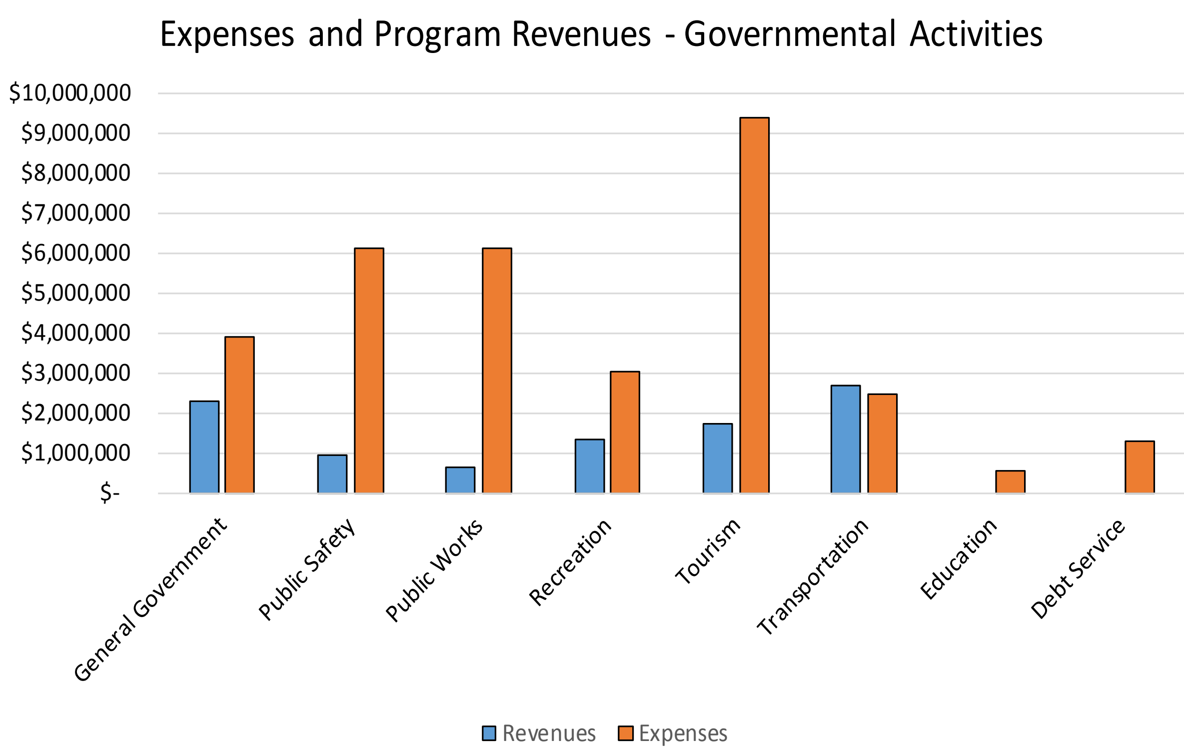
City of Gatlinburg Condensed Changes in Net Position

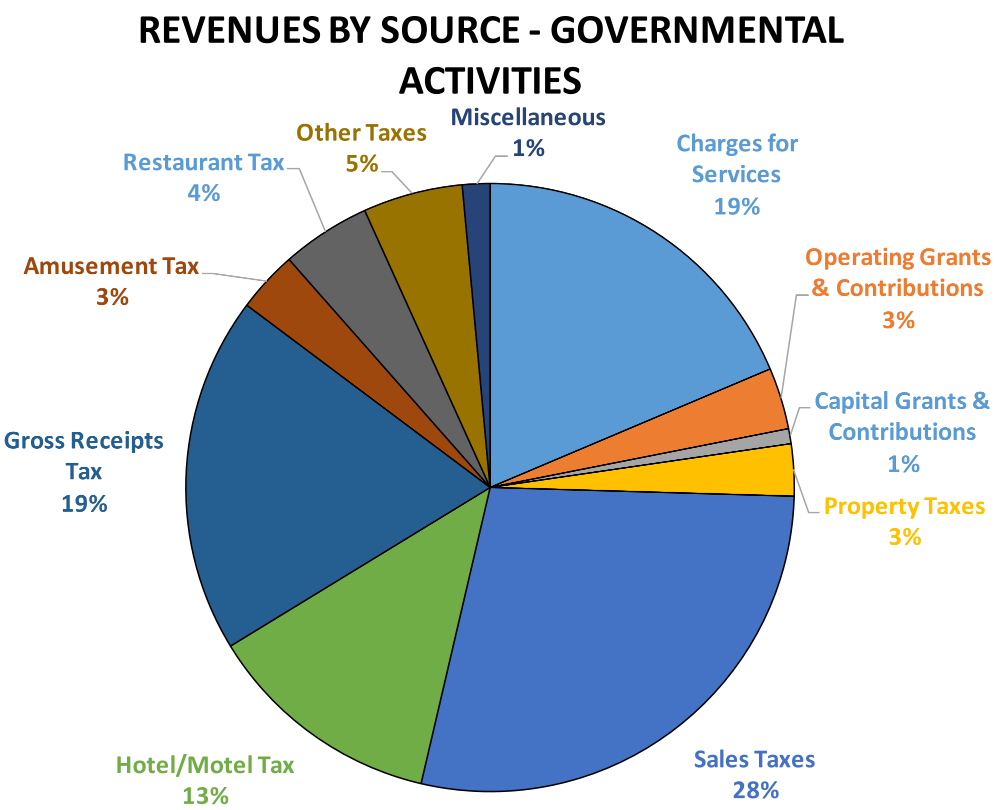
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	$ 7,851,525	$ 7,628,718	$ 5,617,118	$ 6,044,460	$ 13,468,643	$ 13,673,178
Operating Grants and Contributions	1,379,875	2,401,339	0	0	1,379,875	2,401,339
Capital Grants and Contributions	339,767	224,247	0	0	339,767	224,247
General Revenues:						
Property Taxes	1,164,379	1,282,703	0	0	1,164,379	1,282,703
Other Taxes	30,814,743	28,310,217	0	0	30,814,743	28,310,217
Other	610,475	535,547	66,915	526,527	677,390	1,062,074
Total Revenues	42,160,764	40,382,771	5,684,033	6,570,987	47,844,797	46,953,758
Expenses						
General Government	3,884,152	5,168,864	0	0	3,884,152	5,168,864
Public Safety	6,117,706	5,861,918	0	0	6,117,706	5,861,918
Public Works	6,123,304	5,229,841	0	0	6,123,304	5,229,841
Recreation	3,023,862	3,002,267	0	0	3,023,862	3,002,267
Tourism	9,375,236	11,382,264	0	0	9,375,236	11,382,264
Transportation	2,442,798	2,790,719	0	0	2,442,798	2,790,719
Education	544,694	647,674	0	0	544,694	647,674
Debt Service Interest	1,281,333	1,471,755	0	0	1,281,333	1,471,755
Wastewater	0	0	2,910,311	3,111,768	2,910,311	3,111,768
Water	0	0	2,518,928	2,770,893	2,518,928	2,770,893
Total Expenses	32,793,085	35,555,302	5,429,239	5,882,661	38,222,324	41,437,963
Change in Net Postion	9,367,679	4,827,469	254,794	688,326	9,622,473	5,515,795
Net Position - Beginning of Year	86,837,936	82,010,467	29,536,697	28,848,371	116,374,633	110,858,838
Restatement of Beginning Net Position	(1,131,700)	0	(111,927)	0	(1,243,627)	0
Net Position - End of Year	$ 95,073,915	$ 86,837,936	$ 29,679,564	$ 29,536,697	$ 124,753,479	$ 116,374,633

Governmental activities increased the City's net position by $9,662,473. Key elements of this increase are as follows:

- Operating Grants and Contributions decreased by $1,021,464 primarily due to disaster grant funding as a result of the November 2016 Wildfires being received in prior year.
- Taxes other than property taxes increased by $2,504,526 (8.9%) during the year, more than recouping prior year reduction of $2,064,796 (6.8%). This increase was the result of an increase in local taxes associated with improved economy.
- Other Revenues increased by a net of $79,960 primarily due to an increase of $297,020 in interest income being offset by a $211,717 reduction in insurance recoveries as most of the insurance proceeds were received in prior fiscal year.
- Capital Grants and Contributions increased by $115,520 due to additional collections of material underground assessments.
- The net decrease of $2,757,185 in total expenses is due primarily to additional advertising of $1,250,000 and other significant expenses in response to the November 2016 Wildfires occurring in the prior fiscal year. Debt service interest decreased by $190,422 due to overall debt principal balances continuing to be paid down and no new debt being issued.

Expenses and Program Revenues - Governmental Activities



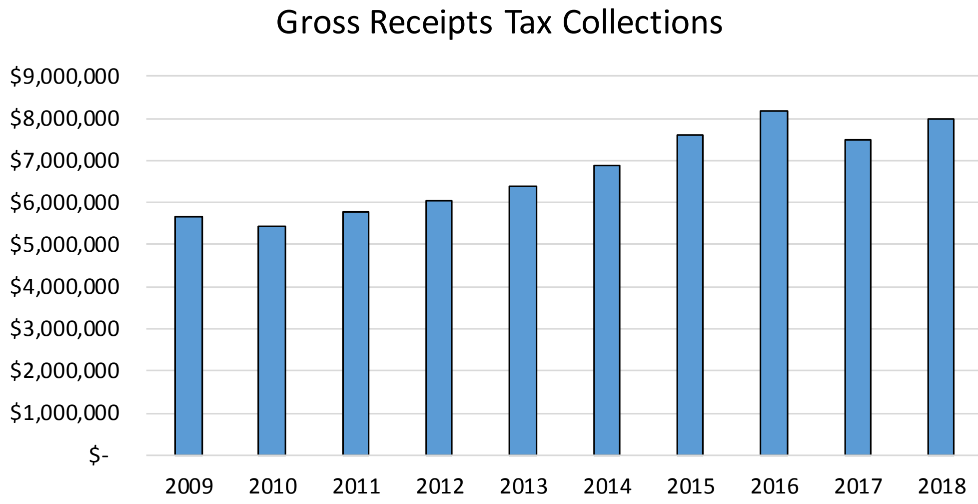


The Revenues by Source – Governmental Activities chart shows property tax revenues as a much smaller percentage of total revenues than is found in most other cities. Because the City is a premier type tourist destination, service levels are geared to provide services to a transient population which is in excess of ten (10) times the City's permanent population. Because of this large transient population, the City derives the majority of its revenues from the users of these services through add-on taxes and the City's Gross Receipts Tax. The Gross Receipts Tax is a tax levied on the gross income of all business in the City. These add-on taxes and the Gross Receipts Tax account for approximately 67% of the governmental activities total revenues.

Because the Gross Receipts Tax is a tax on the gross income of all businesses in the City, it is a good barometer of the economic health of the City. For the most part, the City has enjoyed steady moderate growth over the last ten years. As noted in the chart below, there was a slight decrease in FY 2010 due to the lingering effect of the severe economic decline that began in the first half of fiscal year 2008. This growth trend was understandably interrupted in Fiscal Year 2017 due to the economic impact of the Wildfires in November 2016. The City's Gross Receipts Tax collection in fiscal year 2018 of $8,001,319, however, is an increase of 6.9% over collections of $7,488,283 in fiscal year 2017 and is only $190,741 (2.3%) less than the record collections of $8,192,060 of Fiscal Year 2016.

The following chart shows the City's Gross Receipts Tax collections for the last ten years.

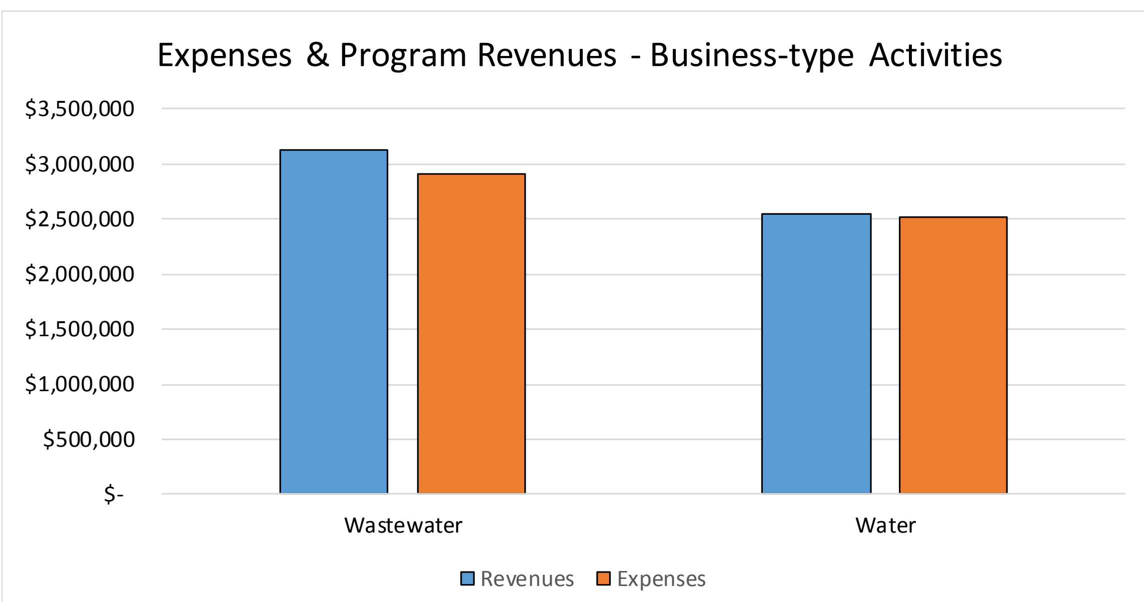
Gross Receipts Tax Collections - Last Ten Years

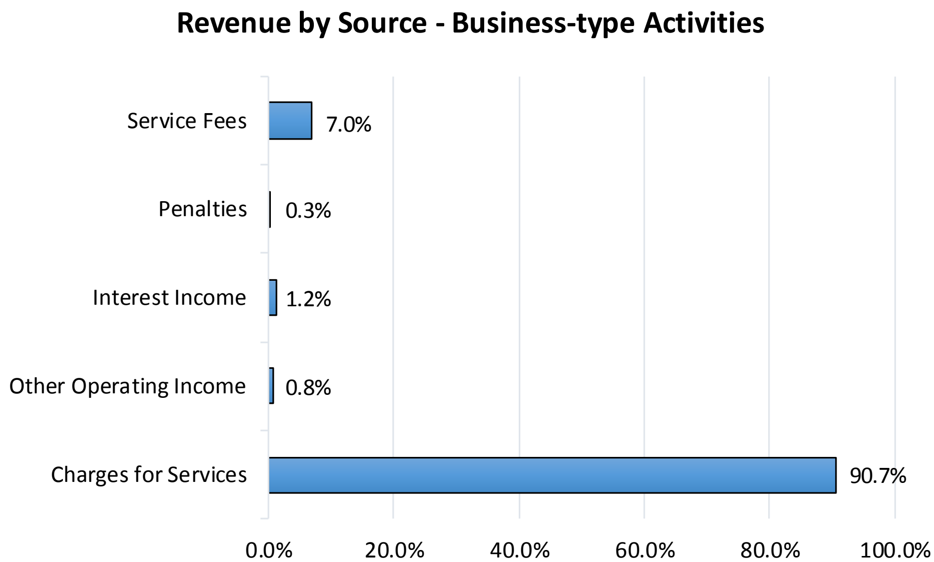


Business-Type Activities. Business-type activities increased the City's net position by $254,794.

Key elements of this increase are as follows:

- The Water and Wastewater funds had a combined operating income of $196,760 and combined non-operating income of $58,034.
- The above items resulted in an increase in net position of $254,794 for the Wastewater and Water funds combined as compared to an increase of $688,326 for the previous year.
- Operating Revenue decreased by a net amount of $427,342 primarily due to the ongoing impact of the loss of service and customers during the Wildfires of late 2016. This is the first fiscal year that has all the months affected by this loss of customer base. This revenue reduction is offset by a related decrease of $330,136 in Operating Expenses.





Discretely Presented Component Unit. Component units are legally separate organizations for which the primary government is financially accountable. The nature and significance of the component unit is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit for the City is Rocky Top Sports World. The Organization is an instrumentality of the governments of the City and Sevier County. A summary of the City's component unit operations follows:

	2018	2017
Operating Revenues	$ 1,133,861	$ 973,968
Operating Expenses	2,840,842	2,939,044
Income (Loss) From Operations	(1,706,981)	(1,965,076)
Nonoperating Revenues (Expenses)	2,775	238,440
Increase (Decrease) in Net Position before Capital Contributions	(1,704,206)	(1,726,636)
Capital Contributions Revenue	697,396	1,093,917
Increase (Decrease) in Net Position	(1,006,810)	(632,719)
Net Position - Beginning of Year	21,284,537	21,917,256
Net Position - End of Year	$ 20,277,727	$ 21,284,537

Fiscal year 2018 is the fourth period of the Organization's actual operations. Operating revenues consist primarily of food services, events, sponsorships, and building and outdoor rentals. Operating expenses consist primarily of depreciation, personnel costs, occupancy, and contractual services. Depreciation expense of $1,207,641 represents approximately 42.5% of operating expenses of $2,840,842. Capital contributions consist primarily of cash contributions from the City and County governments to help in funding the operations of the sports complex. Nonoperating revenues (expenses) decreased $235,665 primarily due to insurance recoveries attributable to the 2016 Wildfires being recognized in fiscal year 2017.

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 financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $36,986,009, an increase of $5,660,877 in comparison with the prior year balance of $31,325,132. Approximately 48% of this total amount, or $17,803,944, constitutes unassigned fund balance, which is available for spending at the government's discretion. The assigned fund balance of $423,257 represents the portion of fund balance the City has set aside for an intended use. A small portion (2%) of fund balance is non-spendable in the form of inventories in the amount of $545,295. The remaining fund balance, which is not available for new spending, is made up of $2,492,452 restricted because it has restrictions placed upon its use and $15,721,061 of committed to indicate that it is has been committed to the funding of capital projects, streets and highways, police protection, tourism promotion, education and city court costs.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $17,803,944. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund revenues. The Government Finance Officers Association recommends that general purpose governments maintain unassigned fund balances in the General Fund of no less than two months of regular general fund operating revenues or two months of regular general fund operating expenditures. The above mentioned unassigned fund balance represents approximately 9 months of total general fund revenues of $23.9 million and approximately 11 months of general fund expenditures of $19.7 million.

The fund balance of the City's general fund increased by $2,068,234 during the current fiscal year compared to an increase of $3,039,726 in the prior fiscal year. The general fund had a net increase in revenues of $14,245 in 2018. Though the City experienced an increase of over $550,000 in local taxes, this was offset by decreases in Intergovernmental Revenue and Licenses and Permits. Intergovernmental Revenue decreased due to less Wildfires-related grant funds received in current fiscal year. Licenses and Permit decreased because the pace of rebuilding slowed in current year causing a reduction in Building Permit Revenue. Total expenditures increased by $1,105,788 primarily due to increases in Capital Outlay for Buildings, Infrastructure and Vehicles as noted on page 20. Operating transfers out decreased from the prior year by a $426,288. Though there was an increase in funds transferred for public works projects, this was more than offset by the elimination of any transfers to the Mass Transit and State Street Aid Funds.

The special tax fund had an increase in revenues of $610,125 in 2018 primarily due to increases in gross receipts, restaurant and amusement taxes as a sign of recovery from a decrease of $642,492 is these tax streams in 2017. Expenditures decreased by $120,018 primarily due to decreases in contribution to the component unit. Transfers to other funds from this fund increased by $625,293 primarily due to a transfer of $328,250 to the general fund for the replacement of Trout Intake Pumps at the Trout Farm and an increase in other capital projects resulting in an increase in transfers to the public works construction fund.

The City's convention center debt service fund services debt, provides additional operation and maintenance funds for the convention center as needed, and provides funding for the promotion of tourism. The fund balance in this fund increased by $2,064,297 from $5.9 million to $8.0 million. The local taxes category increased by $152,031. This fund recorded no new debt borrowings for the fiscal year.

Expenditures in tourism fund decreased by $2,477,236 primarily due to the prior fiscal year containing a special allocation for advertising spending related to the Wildfires Recovery Campaign and a decrease in capital outlay associated with the Convention Center. Fund balance in the tourism fund increased by $586,557 primarily due to an increased in tax related revenue streams as the City's business sector continues its recovery.

The fund balance of the public works construction fund increased by $224 and expenditures increased by $202,033 as the City resumed some projects that were suspended in prior year.

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 water and wastewater funds at the end of the year amounted to $29,679,564. The total change in net position for these funds was $34,893 and $219,901, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of these business-type activities above.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budgeted expenditures for the general fund was an increase of $831,000. This increase was primarily due to mid-year budget amendments that included funding of $574,000 for the purchase of fourteen (14) patrol vehicles for the Police Department and additional funding for other projects.

Actual general fund revenues exceeded final budgeted revenues by $958,248 due to the improving of the City's economy in this fiscal year.

Actual general fund expenditures were lower than final budgeted expenditures by $3,441,058. This variance was primarily due to costs of approximately $1.5 million associated with Wildfires-related costs of Private Property Debris Removal (PPDR) and related monitoring not occurring as budgeted within this fiscal year but delayed until next fiscal year. Also, over $500,000 of the costs associated with the purchase of previously discussed patrol cars and other projects were in process but not completed by end of the current fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2018, amounts to $106,475,041 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, and park facilities. The total increase in the City's investment in capital assets for the current fiscal year was $270,983 (0.3%). This slight net increase is due to an addition of approximately $4.6 million in new assets noted below offset by an increase of $4.33 million in related accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- $1,692,151 was spent on various building and infrastructure projects.
- $754,788 was spent on new equipment and vehicles for the City.
- Current year resources were applied to various equipment purchases, building and system improvements in the wastewater and water funds in the amount of $1,241,989.

Capital assets net of depreciation are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 15,201,536	$ 15,134,024	$ 237,734	$ 237,734	$ 15,439,270	$ 15,371,758
Buildings	59,548,384	58,905,832	17,205,359	17,165,646	76,753,743	76,071,478
Vehicles	11,764,137	11,136,794	0	0	11,764,137	11,136,794
Main System	0	0	27,998,024	26,803,666	27,998,024	26,803,666
Equipment	7,096,142	7,005,537	3,150,883	3,150,883	10,247,025	10,156,420
Infrastructure	43,483,601	42,433,831	0	0	43,483,601	42,433,831
Construction in Progress	867,456	111,609	3,085,819	2,949,262	3,953,275	3,060,871
Accumulated Depreciation	(55,891,276)	(52,593,055)	(27,272,758)	(26,237,705)	(83,164,034)	(78,830,760)
Total Net of Depreciation	$ 82,069,980	$ 82,134,572	$ 24,405,061	$ 24,069,486	$ 106,475,041	$ 106,204,058

The net increase in construction in process of $755,847 in governmental activities is primarily attributable to unfinished projects at end of the fiscal year including Cherokee Orchard Slope repair, Emergency Signal Phase II, and Street Department Headquarters. The net increase of $136,557 in the business-type activities construction in process is primarily for additional costs related to the digester roof (Wastewater) that was offset by the completion of projects related to Sewer line replacements, etc.

Additional information on the City's capital assets can be found in Note 8 on pages 38 through 39 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $46,125,489. The City's long-term debt as of June 30, 2018 is as follows:

Governmental Activities		Business-Type Activities		Total	
2018	2017	2018	2017	2018	2017
$ 42,904,366	$ 47,888,391	$ 3,221,123	$ 3,773,562	$ 46,125,489	$ 51,661,953

The City's total debt decreased by $5,536,464 (10.7%) during the current fiscal year due to regular principal payments.

The City maintains a debt rating of "A1" from Moody's Investor Service and "AA" from Standard & Poor's for general obligation debt. Part of the outstanding general obligation debt was issued on an insured basis and, therefore, all City debt carries an "A" or higher rating.

Additional information regarding the City's long-term debt activity during the current fiscal year can be found in Note 10 on pages 40 through 42 of this report.

Next Year's Budget

The fiscal year 2019 budget was prepared with guarded optimism that projects revenues remaining flat or constant with prior year as opposed to the revenue decreases projected in the previous fiscal year budget. The 2019 fiscal year general fund budget has been approved without any use of fund balance to fund operating needs. For the second year, the City is also able to achieve significant savings in retirement expenditures resulting from a decrease in the required contribution rate from previous years to the Tennessee Consolidated Retirement System (TCRS).

For the 2019 Budget, the City increased the allocation of funds for Capital Projects that were postponed or eliminated in the 2018 Budget. The budget also contains the planned continuance of expenditures related to the Vehicle Replacement Program with an increased funding of approximately $240,000 over prior year to a new total of $850,500 in the upcoming budget.

The water and wastewater budgets were also prepared with anticipated increases of approximately 4.0% in both funds as some properties previously destroyed by the 2016 Wildfires are rebuilt and new commercial properties open.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Gatlinburg, Office of the Finance Director, P. O. Box 5, Gatlinburg, Tennessee 37738.

BASIC FINANCIAL STATEMENTS

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Rocky Top Sports World
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 24,761,685	$ 3,903,784	$ 28,665,469	$ 474,511
Investments	5,143,897	907,747	6,051,644	0
Accounts Receivable, Net of Allowance for Doubtful Accounts of $56,167	215,723	449,606	665,329	82,728
Property Taxes Receivable, Net of Allowance for Doubtful Accounts of $100,198	835,860	0	835,860	0
Other Tax and Nonexchange Revenue Receivable	2,877,745	0	2,877,745	0
Sponsorships Receivable, Current Portion	0	0	0	18,650
Other Receivables	6,830	1,205	8,035	0
Due From Other Governments	2,577,066	0	2,577,066	0
Due From Other Funds	121,529	0	121,529	0
Inventories	541,193	155,567	696,760	31,196
Prepaid Expenses and Other Assets	0	0	0	12,088
Total Current Assets	37,081,528	5,417,909	42,499,437	619,173
NONCURRENT ASSETS				
Investments in Joint Ventures	0	3,563,164	3,563,164	0
Investment in Component Unit	17,445,312	0	17,445,312	0
Cash Restricted or Held for Long-Term Purposes	4,068,812	445,980	4,514,792	0
Sponsorships Receivable	0	0	0	1,000
Net Pension Asset	3,381,357	409,757	3,791,114	0
Capital Assets:				
Nondepreciable	12,870,980	3,323,553	16,194,533	2,390,256
Depreciable, Net of Accumulated Depreciation	69,199,000	21,081,508	90,280,508	17,357,852
Total Capital Assets, Net of Depreciation	82,069,980	24,405,061	106,475,041	19,748,108
Total Noncurrent Assets	106,965,461	28,823,962	135,789,423	19,749,108
Total Assets	144,046,989	34,241,871	178,288,860	20,368,281
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Pension Outflows	1,456,030	369,114	1,825,144	0
Total Deferred Outflows of Resources	1,456,030	369,114	1,825,144	0
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 145,503,019	$ 34,610,985	$ 180,114,004	$ 20,368,281
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	$ 733,671	$ 444,585	$ 1,178,256	$ 22,997
Accrued Liabilities	207,626	33,164	240,790	31,844
Accrued Interest Payable	130,968	6,074	137,042	0
Customer Deposits	311,369	524,441	835,810	0
Unearned Revenue	0	0	0	31,283
Due to Other Funds	0	121,529	121,529	0
Current Portion of Long Term-Debt	5,050,000	550,000	5,600,000	0
Total Current Liabilities	6,433,634	1,679,793	8,113,427	86,124
NONCURRENT LIABILITIES				
Compensated Absences Payable	1,842,470	179,411	2,021,881	0
Unearned Revenue	0	0	0	4,430
Long-Term Debt	37,854,366	2,671,123	40,525,489	0
Accrued Post-Retirement Plan (OPEB) Liability	1,108,019	109,586	1,217,605	0
Total Noncurrent Liabilities	40,804,855	2,960,120	43,764,975	4,430
Total Liabilities	47,238,489	4,639,913	51,878,402	90,554
DEFERRED INFLOWS OF RESOURCES				
Deferred Current Property Taxes	773,212	0	773,212	0
Deferred Sales Tax	1,138,452	0	1,138,452	0
Deferred Pension Inflows	1,253,557	273,739	1,527,296	0
Deferred OPEB Inflows	25,394	2,511	27,905	0
Deferred Amounts on Refundings	0	15,258	15,258	0
Total Deferred Inflows of Resources	3,190,615	291,508	3,482,123	0
NET POSITION				
Net Investment in Capital Assets	61,915,799	21,459,988	83,375,787	13,823,676
Restricted	4,378,617	409,757	4,788,374	6,083,318
Unrestricted	28,779,499	7,809,819	36,589,318	370,733
Total Net Position	95,073,915	29,679,564	124,753,479	20,277,727
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 145,503,019	$ 34,610,985	$ 180,114,004	$ 20,368,281

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Activities	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Rocky Top Sports World
Governmental								
General Government	$ 3,884,152	$ 2,296,052	$ 3,000	$ 0	$ (1,585,100)	$ 0	$ (1,585,100)	$ 0
Public Safety	6,117,706	766,870	164,050	0	(5,186,786)	0	(5,186,786)	0
Public Works	6,123,304	14,625	301,527	320,730	(5,486,422)	0	(5,486,422)	0
Recreation	3,023,862	1,299,881	0	19,037	(1,704,944)	0	(1,704,944)	0
Tourism Promotion	9,375,236	1,709,514	0	0	(7,665,722)	0	(7,665,722)	0
Transportation	2,442,798	1,764,583	911,298	0	233,083	0	233,083	0
Education	544,694	0	0	0	(544,694)	0	(544,694)	0
Debt Service	1,281,333	0	0	0	(1,281,333)	0	(1,281,333)	0
Total Governmental Activities	32,793,085	7,851,525	1,379,875	339,767	(23,221,918)	0	(23,221,918)	0
Business-Type								
Wastewater	2,910,311	3,072,152	0	0	0	161,841	161,841	0
Water	2,518,928	2,544,966	0	0	0	26,038	26,038	0
Total Business-Type Activities	5,429,239	5,617,118	0	0	0	187,879	187,879	0
Total Primary Government	$ 38,222,324	$ 13,468,643	$ 1,379,875	$ 339,767	(23,221,918)	187,879	(23,034,039)	0
Component Unit	$ 2,838,067	$ 1,133,861	$ 0	$ 0				(1,704,206)
General Revenues								
Taxes:								
Property Taxes					1,164,379	0	1,164,379	0
Sales Taxes					11,885,176	0	11,885,176	0
Hotel/Motel Tax					5,320,808	0	5,320,808	0
Gross Receipts Tax					8,001,319	0	8,001,319	0
Amusement Tax					1,377,642	0	1,377,642	0
Restaurant Tax					1,994,046	0	1,994,046	0
Business Tax					567,302	0	567,302	0
Franchise and Income Taxes					391,046	0	391,046	0
Wholesale Beer, Liquor Licenses, Beer Permits, State Beer and State Mixed Drink Taxes					1,277,404	0	1,277,404	0
Interest Income					420,533	66,915	487,448	0
Miscellaneous					189,942	0	189,942	0
Capital Contributions								
Cash Capital Contributions					0	0	0	697,396
Total General Revenues					32,589,597	66,915	32,656,512	697,396
Change in Net Position					9,367,679	254,794	9,622,473	(1,006,810)
Net Position, Beginning of Year - as Previously Reported					86,837,936	29,536,697	116,374,633	21,284,537
Restatement of Beginning Net Position (Note 16)					(1,131,700)	(111,927)	(1,243,627)	0
Net Position, Beginning of Year - as Restated (Note 16)					85,706,236	29,424,770	115,131,006	21,284,537
Net Position-End of Year					$ 95,073,915	$ 29,679,564	$ 124,753,479	$ 20,277,727

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

CITY OF GATLINBURG, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Tourism Fund	Public Works Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	$ 13,877,367	$ 2,490,341	$ 6,008,805	$ 1,206,511	$ 0	$ 1,178,661	$ 24,761,685
Investments	3,025,822	605,164	1,512,911	0	0	0	5,143,897
Accounts Receivable, Net	128,908	804	0	60,500	0	0	190,212
Property Taxes Receivable, Net	835,860	0	0	0	0	0	835,860
Other Tax and Nonexchange Revenue Receivable	1,515,851	531,468	554,801	0	0	275,625	2,877,745
Due From Other Governments	1,005,447	0	303,391	0	0	268,229	1,577,067
Due From Other Funds	121,529	0	0	0	0	0	121,529
Other Accounts Receivable	4,014	26,314	2,009	0	0	0	32,337
Inventories	541,193	0	0	0	0	0	541,193
Cash Restricted or Held for Long-Term Purposes	103,056	0	0	0	1,658,685	2,307,071	4,068,812
TOTAL ASSETS	$ 21,159,047	$ 3,654,091	$ 8,381,917	$ 1,267,011	$ 1,658,685	$ 4,029,586	$ 40,150,337
LIABILITIES							
Accounts Payable	$ 337,867	$ 30,142	$ 0	$ 56,651	$ 232,459	$ 76,551	$ 733,670
Accrued Liabilities	196,226	0	0	531	0	10,868	207,625
Customer Deposits	0	0	0	311,369	0	0	311,369
Total Liabilities	534,093	30,142	0	368,551	232,459	87,419	1,252,664
DEFERRED INFLOWS OF RESOURCES	1,474,368	0	358,236	0	0	79,060	1,911,664
FUND BALANCES							
Nonspendable:							
Inventory	545,295	0	0	0	0	0	545,295
Restricted	103,056	0	0	0	0	2,389,396	2,492,452
Unrestricted:							
Committed	698,291	3,623,949	8,023,681	898,460	1,426,226	1,050,454	15,721,061
Assigned	0	0	0	0	0	423,257	423,257
Unassigned	17,803,944	0	0	0	0	0	17,803,944
Total Fund Balances	19,150,586	3,623,949	8,023,681	898,460	1,426,226	3,863,107	36,986,009
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 21,159,047	$ 3,654,091	$ 8,381,917	$ 1,267,011	$ 1,658,685	$ 4,029,586	$ 40,150,337

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

CITY OF GATLINBURG, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balances for Governmental Funds		$ 36,986,009
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	$ 12,003,524	
Land Improvements, Net of $731,882 Accumulated Depreciation	2,466,130	
Buildings and Improvements, Net of $30,004,866 Accumulated Depreciation	29,543,518	
Equipment, Net of $4,039,655 Accumulated Depreciation	3,056,487	
Vehicles, Net of $6,312,176 Accumulated Depreciation	5,451,961	
Construction in Progress	867,456	
Infrastructure, Net of $14,802,697 Accumulated Depreciation	28,680,904	
Total Capital Assets (See Note 8)		82,069,980
Other assets, consisting of investment in component unit of $17,445,312 and Due From Other Governments of $1,000,000, which are not available to fund current period expenditures and, therefore, are not reported as assets in the fund financial statements.		18,445,312
Net pension asset of $3,381,357 and deferred pension outflow of $1,456,030, net of deferred pension inflow of $1,253,557 which do not represent current period sources or uses and, therefore, are not reported in the fund financial statements.		3,583,830
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Long-Term Debt	(42,305,000)	
Unamortized Bond Premium	(599,365)	
Accrued Interest on Long-Term Debt	(130,968)	
Accrued Post-Retirement Plan (OPEB) Liability	(1,108,019)	
Deferred OPEB Inflows	(25,394)	
Compensated Absences	(1,842,470)	
		(46,011,216)
Net Position of Governmental Activities		$ 95,073,915

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Tourism Fund	Public Works Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local Taxes	$ 17,327,084	$ 4,971,975	$ 4,345,454	$ 0	$ 0	$ 1,773,602	$ 28,418,115
Licenses and Permits	1,784,402	0	0	0	0	0	1,784,402
Intergovernmental	2,074,827	0	2,455,136	0	0	1,839,671	6,369,634
Miscellaneous Income	0	0	0	0	0	2,000	2,000
Use of Money and Property	1,360,904	732,170	93,740	6,373	0	43,564	2,236,751
Charges for Services	1,026,507	0	0	1,709,512	0	1,249,643	3,985,662
Fines, Forfeitures and Penalties	276,840	0	0	0	0	4,623	281,463
Contributions and Donations	0	320,730	0	0	0	0	320,730
Total Revenues	23,850,564	6,024,875	6,894,330	1,715,885	0	4,913,103	43,398,757
EXPENDITURES							
General Government	5,235,118	0	0	0	0	30,639	5,265,757
Public Safety	6,020,647	0	0	0	0	2,096	6,022,743
Public Works	3,735,392	0	0	0	0	79,281	3,814,673
Recreation	2,868,852	0	0	0	0	0	2,868,852
Tourism Promotion	0	0	0	7,085,435	0	0	7,085,435
Parking / Mass Transit	0	0	0	0	0	2,032,227	2,032,227
Education	0	0	0	0	0	544,694	544,694
Capital Outlay	1,710,940	28,979	0	59,289	990,530	544,200	3,333,938
Capital Contributions to Component Unit	0	488,178	0	0	0	0	488,178
Debt Service:							
Principal	145,000	2,365,000	2,355,000	0	0	0	4,865,000
Interest	17,500	405,083	989,018	0	0	0	1,411,601
Paying Agent Fees	0	0	2,771	0	0	0	2,771
Legal and Issue Costs	0	2,011	0	0	0	0	2,011
Total Expenditures	19,733,449	3,289,251	3,346,789	7,144,724	990,530	3,233,137	37,737,880
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,117,115	2,735,624	3,547,541	(5,428,839)	(990,530)	1,679,966	5,660,877
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	328,250	0	0	6,017,063	990,754	574,904	7,910,971
Operating Transfers Out	(2,377,131)	(2,304,234)	(1,483,244)	(1,667)	0	(1,744,695)	(7,910,971)
Net Other Financing Sources (Uses)	(2,048,881)	(2,304,234)	(1,483,244)	6,015,396	990,754	(1,169,791)	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,068,234	431,390	2,064,297	586,557	224	510,175	5,660,877
FUND BALANCE - BEGINNING OF YEAR	17,082,352	3,192,559	5,959,384	311,903	1,426,002	3,352,932	31,325,132
FUND BALANCE - END OF YEAR	$ 19,150,586	$ 3,623,949	$ 8,023,681	$ 898,460	$ 1,426,226	$ 3,863,107	$ 36,986,009

CITY OF GATLINBURG, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds	$ 5,660,877
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation of $3,338,324 and loss on disposals of $9,868 exceed capital outlay of $3,283,599 in the current year.	(64,593)
The issuance of long term debt (e.g. bonds, loans) 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. Governmental funds also report interest expense in the period it is paid. However, in the statement of activities, interest expense is recorded on the accrual basis of accounting in the period to which the interest relates. Also, governmental funds report the effect of premiums, discounts, refunding losses and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	5,000,048
Expense from net pension asset of $157,086 is recognized in the statement of activities but does not represent a current use of resources. Current year pension contributions of $691,446 are expenditures in the governmental funds but recognized as deferred outflows of resources in the statement of net position.	534,360
Expense from net Other Post Retirement Employment Benefits (OPEB) of $57,811 is recognized in the statement of activities but does not represent a current use of resources. Current year OPEB benefit payments of $56,099 are expenditures in the governmental funds but recognized as deferred inflows of resources in the statement of net position.	(1,712)
Net cash capital contributions of $488,178 made to the component unit are expenditures in the governmental fund financial statements. However, in the statement of net position these cash contributions increase the Investment in Component Unit. The City's allocated portion of the Component Unit's decrease in net position before capital contributions for 2018 of $1,194,767 is included in Tourism Promotion expenses in the statement of activities and is a reduction of Investment in Component Unit on the statement of net position. However, it does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(706,589)
Payments on amounts due from other governments are recognized in the governmental funds but do not represent revenue in the governmental activities.	(1,000,000)
The current year decrease in the liability for compensated absences does not require the use of current financial resources and therefore is not reported in the governmental funds.	(54,712)
Change in Net Position of Governmental Activities	$ 9,367,679

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF GENERAL FUND BUDGETARY COMPARISON

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Local Taxes	$ 15,665,267	$ 15,665,267	$ 17,327,084	$ 1,661,817
Licenses and Permits	1,178,000	1,178,000	1,784,402	606,402
Intergovernmental	3,794,000	3,794,000	2,074,827	(1,719,173)
Use of Money and Property	1,176,349	1,176,349	1,360,904	184,555
Charges for Service	863,700	863,700	1,026,507	162,807
Fines, Forfeitures and Penalties	215,000	215,000	276,840	61,840
Total Revenues	22,892,316	22,892,316	23,850,564	958,248
EXPENDITURES				
General Government:				
Manager	433,228	433,228	412,215	21,013
Attorney	137,000	137,000	71,318	65,682
Finance	713,715	713,715	695,010	18,705
Nondepartmental	4,944,844	4,893,544	3,116,012	1,777,532
Legislative	963,727	963,727	940,563	23,164
Total General Government	7,192,514	7,141,214	5,235,118	1,906,096
Public Safety:				
Police	2,914,878	3,488,878	2,923,463	565,415
Jail Operations	365,106	365,106	357,853	7,253
Fire / Rescue	2,643,095	2,783,095	2,739,331	43,764
Total Public Safety	5,923,079	6,637,079	6,020,647	616,432
Public Works:				
Service Center	430,000	430,000	317,147	112,853
Building Maintenance	270,193	270,193	254,202	15,991
Building Inspection	415,422	415,422	362,790	52,632
Street	1,371,813	1,402,113	1,137,088	265,025
Sanitation	1,692,393	1,693,043	1,664,165	28,878
Total Public Works	4,179,821	4,210,771	3,735,392	475,379
Recreation:				
Golf	1,112,826	1,142,826	1,031,703	111,123
Recreation	1,884,367	1,874,552	1,837,149	37,403
Total Recreation	2,997,193	3,017,378	2,868,852	148,526
Debt Service	163,350	163,350	162,500	850
Capital Outlay - Equipment Purchase/Replacement	1,888,099	2,005,264	1,710,940	294,324
Total Expenditures	22,344,056	23,175,056	19,733,449	3,441,607
Excess of Revenues Over Expenses	548,260	(282,740)	4,117,115	4,399,855
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	150,000	150,000	0	(150,000)
Operating Transfers In	328,250	328,250	328,250	0
Operating Transfers Out	(1,860,964)	(2,281,038)	(2,377,131)	(96,093)
Total Other Financing Sources (Uses)	(1,382,714)	(1,802,788)	(2,048,881)	(246,093)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(834,454)	(2,085,528)	2,068,234	4,153,762
Fund Balance - Beginning of Year	17,082,352	17,082,352	17,082,352	0
Fund Balance - End of Year	$ 16,247,898	$ 14,996,824	$ 19,150,586	$ 4,153,762

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF SPECIAL TAX FUND
BUDGETARY COMPARISON

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes	$ 4,368,000	$ 4,368,000	$ 4,971,975	$ 603,975
Use of Money and Property	678,700	678,700	732,170	53,470
Contributions and Donations	225,000	225,000	320,730	95,730
Total Revenues	5,271,700	5,271,700	6,024,875	753,175
EXPENDITURES				
Debt Service	2,772,283	2,772,283	2,772,094	189
Capital Outlay	38,078	38,078	28,979	9,099
Capital Contributions to Component Unit	490,000	490,000	488,178	1,822
Total Expenditures	3,300,361	3,300,361	3,289,251	11,110
Excess of Revenues Over Expenditures	1,971,339	1,971,339	2,735,624	764,285
OTHER FINANCING SOURCES (USES)				
Transfer to Department of Tourism	(1,324,654)	(1,324,654)	(1,488,617)	(163,963)
Transfer to Public Works Construction Fund	(629,124)	(638,974)	(434,530)	204,444
Transfer to General Fund	0	(328,250)	(328,250)	0
Transfer to Grant Financed Projects Fund	(30,639)	(52,837)	(52,837)	0
Total Other Financing Sources (Uses)	(1,984,417)	(2,344,715)	(2,304,234)	40,481
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,078)	(373,376)	431,390	804,766
Fund Balance - Beginning of Year	3,192,559	3,192,559	3,192,559	0
Fund Balance - End of Year	$ 3,179,481	$ 2,819,183	$ 3,623,949	$ 804,766

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF TOURISM FUND
BUDGETARY COMPARISON

For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Convention Center Rentals	$ 1,016,000	$ 1,016,000	$ 1,111,529	$ 95,529
Convention Center Utility Hookups	166,500	166,500	154,620	(11,880)
Convention Center Equipment Rental	136,200	136,200	136,845	645
Concession Income	132,000	132,000	161,286	29,286
Parking Lot Income	3,000	3,000	3,617	617
Advertising Fees	16,500	16,500	7,123	(9,377)
Security Income	110,500	110,500	116,805	6,305
Interest Income	5,500	5,500	6,373	873
Other Revenue	26,700	26,700	17,687	(9,013)
Total Revenues	1,612,900	1,612,900	1,715,885	102,985
EXPENDITURES				
Convention Center:				
Personnel	1,060,860	1,060,860	984,090	76,770
Supplies	32,900	32,900	30,795	2,105
Maintenance	47,129	47,129	42,384	4,745
General Services	1,637,280	1,637,280	1,572,182	65,098
Contingency	150	150	0	150
Capital Outlay	67,808	67,808	59,289	8,519
Total Convention Center	2,846,127	2,846,127	2,688,740	157,387
Tourism Department:				
Personnel	32,700	26,084	25,792	292
Maintenance	5,000	11,800	12,301	(501)
General Services	4,472,768	4,472,584	4,417,891	54,693
Total Tourism Department	4,510,468	4,510,468	4,455,984	54,484
Total Expenditures	7,356,595	7,356,595	7,144,724	211,871
Excess of Expenditures Over Revenues	(5,743,695)	(5,743,695)	(5,428,839)	314,856
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(1,667)	(1,667)	(1,667)	0
Transfers From Other Funds	5,634,064	5,634,064	6,017,063	382,999
Total Other Financing Sources (Uses)	5,632,397	5,632,397	6,015,396	382,999
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(111,298)	(111,298)	586,557	697,855
Fund Balance - Beginning of Year	311,903	311,903	311,903	0
Fund Balance - End of Year	$ 200,605	$ 200,605	$ 898,460	$ 697,855

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF CONVENTION CENTER DEBT SERVICE FUND BUDGETARY COMPARISON

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance- Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes:				
3/4 % Local Option Tax Increase	$ 2,287,000	$ 2,287,000	$ 2,571,852	$ 284,852
1/3 Hotel / Motel Tax	1,601,000	1,601,000	1,773,602	172,602
Total Taxes	3,888,000	3,888,000	4,345,454	457,454
Interest Income	35,000	35,000	93,740	58,740
Total Use of Money and Property	35,000	35,000	93,740	58,740
Intergovernmental				
State Sales Tax	1,125,000	1,125,000	1,455,136	330,136
Sevier County	1,000,000	1,000,000	1,000,000	0
Total Intergovernmental	2,125,000	2,125,000	2,455,136	330,136
Total Revenues	6,048,000	6,048,000	6,894,330	846,330
EXPENDITURES				
Debt Service				
Principal	2,355,000	2,355,000	2,355,000	0
Interest	989,018	989,018	989,018	0
Paying Agent Fees	3,800	3,800	2,771	1,029
Total Debt Service	3,347,818	3,347,818	3,346,789	1,029
Total Expenditures	3,347,818	3,347,818	3,346,789	1,029
Excess of Revenues Over Expenditures	2,700,182	2,700,182	3,547,541	847,359
Other Financing Sources (Uses)				
Transfer to Department of Tourism	(1,483,244)	(1,483,244)	(1,483,244)	0
Total Other Financing Uses	(1,483,244)	(1,483,244)	(1,483,244)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	1,216,938	1,216,938	2,064,297	847,359
Fund Balance - Beginning of Year	5,959,384	5,959,384	5,959,384	0
Fund Balance - End of Year	$ 7,176,322	$ 7,176,322	$ 8,023,681	$ 847,359

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	Wastewater Fund	Water Fund	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 3,223,464	$ 680,320	$ 3,903,784
Investments	907,747	0	907,747
Receivables:			
Customer Accounts, Net of Allowance for Doubtful Accounts of $56,167	232,472	217,134	449,606
Other Receivables	1,205	0	1,205
Inventories	43,760	111,807	155,567
Total Current Assets	4,408,648	1,009,261	5,417,909
Noncurrent Assets			
Land and Right of Way	121,116	116,618	237,734
Buildings	15,677,983	1,527,376	17,205,359
Main System	14,120,932	13,877,092	27,998,024
Equipment	2,392,548	758,335	3,150,883
Allowance for Depreciation	(18,051,798)	(9,220,960)	(27,272,758)
Construction in Progress	3,056,344	29,475	3,085,819
Total Capital Assets	17,317,125	7,087,936	24,405,061
Other Assets			
Restricted Cash and Cash Equivalents	445,980	0	445,980
Investment in Joint Venture	0	3,563,164	3,563,164
Net Pension Asset	131,242	278,515	409,757
Total Other Assets	577,222	3,841,679	4,418,901
Total Noncurrent Assets	17,894,347	10,929,615	28,823,962
TOTAL ASSETS	22,302,995	11,938,876	34,241,871
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	104,297	264,817	369,114
Total Deferred Outflows of Resources	104,297	264,817	369,114
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 22,407,292	$ 12,203,693	$ 34,610,985
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 337,600	$ 106,985	$ 444,585
Due to Other Funds	1,504	120,025	121,529
Accrued Liabilities	0	33,164	33,164
Accrued Interest Payable	4,657	1,417	6,074
Customer Deposits	0	524,441	524,441
Current Maturities of Long-Term Debt	450,000	100,000	550,000
Total Current Liabilities	793,761	886,032	1,679,793
Noncurrent Liabilities			
Compensated Absences	67,301	112,110	179,411
Long-Term Debt	2,346,123	325,000	2,671,123
Accrued Post-Retirement Plan (OPEB) Liability	73,057	36,529	109,586
Total Noncurrent Liabilities	2,486,481	473,639	2,960,120
TOTAL LIABILITIES	3,280,242	1,359,671	4,639,913
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	81,848	191,891	273,739
Deferred OPEB Inflows	1,674	837	2,511
Deferred Amounts on Refundings	0	15,258	15,258
Total Deferred Inflows of Resources	83,522	207,986	291,508
NET POSITION			
Net Investment in Capital Assets	14,812,310	6,647,678	21,459,988
Restricted	131,242	278,515	409,757
Unrestricted	4,099,976	3,709,843	7,809,819
Total Net Position	19,043,528	10,636,036	29,679,564
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 22,407,292	$ 12,203,693	$ 34,610,985

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

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Wastewater Fund	Water Fund	Total
OPERATING REVENUES			
Charges for Services	$ 2,901,058	$ 2,255,235	$ 5,156,293
Penalties	8,486	7,539	16,025
Service Fees	162,608	233,946	396,554
Other Operating Revenue	0	48,246	48,246
Total Operating Revenues	3,072,152	2,544,966	5,617,118
OPERATING EXPENSES			
Cost of Sales and Services of Plant and Systems	1,585,995	1,581,265	3,167,260
Maintenance	592,130	617,998	1,210,128
Depreciation	729,491	313,479	1,042,970
Total Operating Expenses	2,907,616	2,512,742	5,420,358
OPERATING INCOME	164,536	32,224	196,760
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	58,060	8,855	66,915
Interest Expense	(2,695)	(6,186)	(8,881)
Total Non-Operating Revenues (Expenses)	55,365	2,669	58,034
CHANGE IN NET POSITION	219,901	34,893	254,794
TOTAL NET POSITION, BEGINNING OF YEAR	18,898,245	10,638,452	29,536,697
RESTATEMENT OF BEGINNING NET POSITION - SEE NOTE 16	(74,618)	(37,309)	(111,927)
NET POSITION, BEGINNING OF YEAR, AS RESTATED - SEE NOTE 16	18,823,627	10,601,143	29,424,770
NET POSITION, END OF YEAR	$ 19,043,528	$ 10,636,036	$ 29,679,564

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Wastewater Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 3,088,106	$ 2,563,785	$ 5,651,891
Payments to or on Behalf of Employees	(498,466)	(1,688,787)	(2,187,253)
Payments to Suppliers	(1,562,354)	(1,023,312)	(2,585,666)
Other Receipts (Payments)	0	48,246	48,246
Net Cash Provided by (Used in) Operating Activities	1,027,286	(100,068)	927,218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(2,040,438)	(67,652)	(2,108,090)
Principal Paid on Long-Term Debt	(450,000)	(100,000)	(550,000)
Interest Paid on Long-Term Debt	(64,885)	(10,500)	(75,385)
Proceeds From Insurance Recoveries	0	422,096	422,096
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,555,323)	243,944	(2,311,379)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Investments	(630,835)	0	(630,835)
Proceeds From Sales and Maturities of Investments	1,241,116	0	1,241,116
Interest on Investments and Cash Deposits	68,620	8,855	77,475
Net Cash Provided by Investing Activities	678,901	8,855	687,756
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(849,136)	152,731	(696,405)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,518,580	527,589	5,046,169
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,669,444	$ 680,320	$ 4,349,764
Cash and Cash Equivalents at End of Year Consist of			
Unrestricted Cash and Cash Equivalents	$ 3,223,464	$ 680,320	$ 3,903,784
Restricted Cash and Cash Equivalents	445,980	0	445,980
Total	$ 3,669,444	$ 680,320	$ 4,349,764
RECONCILIATION OF OPERATING INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income	$ 164,536	$ 32,224	$ 196,760
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	729,492	313,478	1,042,970
(Increase) Decrease in Assets:			
Accounts Receivable	15,954	36,266	52,220
Inventories	7,382	(12,960)	(5,578)
Change in Deferred Outflows - Pension Expense	26,659	39,464	66,123
Increase (Decrease) in Liabilities:			
Accounts Payable	140,914	4,907	145,821
Due to Other Funds	(14,196)	(358,841)	(373,037)
Accrued Liabilities	0	(25,480)	(25,480)
Accrued Post-Retirement Plan (OPEB) Liability	(1,561)	(780)	(2,341)
Change in Net Pension Liability	(65,107)	(129,760)	(194,867)
Change in Deferred Inflows - OPEB Expense	1,674	837	2,511
Change in Deferred Inflows - Pension Expense	18,338	36,548	54,886
Customer Deposits	0	30,799	30,799
Compensated Absences Payable	3,201	(66,770)	(63,569)
Total Adjustments	862,750	(132,292)	730,458
Net Cash Provided by (Used in) Operating Activities	$ 1,027,286	$ (100,068)	$ 927,218
Supplemental Schedule of Non-cash Activities			
Amortization of Deferred Amount of Refunding	$ 0	$ (3,981)	$ (3,981)
Amortization of Bond Premium	$ (2,439)	$ 0	$ (2,439)
Change in Fair Value of Investments	$ (10,091)	$ 0	$ (10,091)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Gatlinburg, Tennessee (the "City") is a primary government entity governed by an elected five-member board of commissioners from whom the mayor is chosen. The reporting entity also includes the City's component unit.

Rocky Top Sports World (the "Organization") is a non-profit organization formed by the City of Gatlinburg and Sevier County for the purpose of developing, equipping, and maintaining a complex of sports and recreation facilities to promote community development through youth sports tourism. Each of the two government entities which created the Organization is given a place on the board of directors with voting interest directly proportionate to their participation interest. The City of Gatlinburg has a voting interest or financial responsibility of 70%. Sevier County has a voting interest or financial responsibility of 30%. Complete financial statements for the Organization may be obtained from their administrative office at 1870 Sports World Boulevard, Gatlinburg, Tennessee 37738. (See Note 12.)

The accounting and reporting policies of the City relating to the accounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the *Financial Accounting Standards Board* (when applicable). All applicable GASB Statements have been implemented.

Government-Wide Statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The legally separate component unit, for which the primary government is financially accountable, is reported in the government-wide financial statements in a separate column as a discretely presented component unit.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the City's assets, deferred outflows or resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Unrestricted net position consist of net positions that do not meet the definition of "restricted" or "net investment in capital assets." These are available for current use by the City.

Fund Financial Statements - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

DESCRIPTION OF FUNDS

In accordance with the City's charter and ordinances, several different types of funds are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

Governmental Fund Types:

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are restricted by law to expenditures for specific purposes.

Debt Service Funds - To account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital Projects Funds - To account for the financial resources to be used for the construction or renovation of major capital facilities.

Proprietary Fund Type:

Enterprise Funds - To account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the cost (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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Discretely Presented Component Unit:

Rocky Top Sports World - This Organization is included in the government-wide financial statements and is accounted for on the same basis as the City's proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenue is recorded when it becomes susceptible to accrual (measurable and available):

A. Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest revenue and charges for services (collected within thirty days after year end).
B. Interest and principal on general long-term debt indebtedness are not accrued but are recorded as an expenditure on their due date.
C. Accrued vacation leave is not recorded as an expenditure.
D. Disbursements for purchase of capital assets providing future benefits are considered expenditures; bond proceeds are reported as other financing sources.
E. Other tax and nonexchange revenue receivable include state sales tax, state beer tax, state franchise and income tax, state gasoline and motor fuel tax, and state mixed drink tax. Certain other nonexchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

The City reports the following major governmental funds: The general fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The special tax fund is used to account for the monies levied by the City for the restaurant tax, a portion of the gross receipts tax, and the amusement tax. The revenues from this fund are to be used for advertising and capital improvements. The convention center debt service fund is used to account for revenues designated for operation, maintenance expenses, and retirement of debt related to the City’s convention center. The tourism fund is used to account for the revenues and expenses related to tourism promotion. The public works construction fund, a capital projects fund, is used to account for financial resources related to the constructions or renovation of major capital projects.

The City's proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The City reports the following major proprietary funds: the water fund and the wastewater fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, maintenance, and depreciation on capital assets.

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. It is the City’s policy that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Internal Activity - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Restrictions - 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. It is also the City's policy that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

Cash and Cash Equivalents and Restricted Cash - Cash and cash equivalents consist of certificates of deposit, money market investment accounts and other temporary investments maturing within 90 days of original purchase.

Cash and cash equivalents in certain funds are classified as restricted or held for long-term purposes because the restriction is either imposed by enabling legislation or the source of funds restricts their use to specific purposes such as capital projects, education, police protection, state street aid or city court fees.

Investments - Investments are carried at fair value. State statutes authorize the City to invest in obligations of federal treasuries and agencies, certificates of deposit, and the state investment pool.

Inventories - Inventories are valued at lower of average cost (first-in, first-out) or net realizable value. Inventories are determined by physical count. Inventories in the general fund consist of parts held for consumption. The costs thereof are recorded as an expenditure when consumed rather than when purchased.

Capital Assets -

Governmental Funds: Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the City's capitalization threshold of $5,000 is met. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method, as follows:

Land Improvements	40 years
Buildings and Improvements	40-60 years
Equipment, Furniture and Fixtures	5-40 years
Vehicles	5-20 years
Infrastructure	40-80 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated.

Proprietary Fund Types: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis to the extent the City's capitalization threshold of $5,000 is met. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation rates are as follows:

Infrastructure (Main Lines)	50 years
Buildings and Improvements	50 years
Equipment, Furniture and Fixtures	3 - 10 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred pension outflows represent employer contributions to the pension plan during the year ended June 30, 2018 and actuarial experience and earnings differences for the pension plan.

Fund Balances - *GASB 54* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, *GASB 54* clarified the definitions of the General Fund and the special revenue, capital projects, and debt service fund types. These classifications are defined as follows:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. These amounts include inventories and prepaid items.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them.

Assigned Fund Balance – includes amounts that the City intends to use for a specific purpose, but for which the use is not legislatively mandated. City Council is the authorized body to make assignments.

Unassigned Fund Balance – the residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits.

Vacation pay which is payable to the employee in the event of termination is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for unused vacation amounts is reported in governmental funds only if the amounts have matured, for example as a result of employee resignations and retirements.

The City's policy is to allow retiring employees to receive payment for one-half of their accumulated sick leave at retirement, or the unused sick leave can be applied toward the calculation of the employee's retirement benefits. The City also allows all employees to receive a payment each year for any accumulated sick pay in excess of a predetermined base amount. The liability associated with the City's policies related to accumulated unused sick leave is accrued in the government-wide and proprietary funds as the employee earns the rights to the benefits. A liability is reported in governmental funds only if it has matured.

Long-Term Obligations - The City reports long-term debt of governmental funds at face value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types and at the government-wide level for governmental funds, bond premiums and discounts, the difference between the carrying amount of defeased debt and its reacquisition price are deferred and amortized. Bond premiums and discounts are amortized proportionately to the amount of principal paid in a given year on the debt. The difference between the carrying amount of defeased debt and its reacquisition price is amortized over the shorter of the life of the refunded debt or the life of the refunding debt. Bonds payable are reported net of the applicable bond premium or discount and any difference between the carrying amount of the defeased debt and its reacquisition price.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Principles - Annual budgets are prepared in accordance with the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. The City Council may amend the budget by a majority vote on the amendment.

Prior to the beginning of the fiscal year, the city manager submits an operating budget for all funds to the City Commission. Public hearings are held and the City Commission legally adopts the budget through passage of an appropriation ordinance. All supplemental appropriations must also be approved by the City Commission. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year.

Although not required to present a budget for proprietary funds, the City has chosen to present budget information. Budgets for the proprietary funds are prepared on the accrual basis of accounting.

Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of its fiscal year are referred to as “interfund receivables/payables.” All other outstanding balances between funds are reported as “due to/from other funds” in the governmental and proprietary fund financial statements.

Sponsorships - Sponsorships for the Organization consist of corporate agreements to provide support for events and programs. The sponsor receives no substantial benefit other than the use or acknowledgement of the sponsors name, logo, or product line. Sponsorships are recognized as receivables at the execution of an agreement and revenue is recognized over the contract term.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The City records revenue as billed to its customers based on a monthly meter reading cycle. Any service rendered from the latest billing cycle date to the end of the month is unbilled and is not reflected in the financial statements.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Property Taxes - Property taxes become a lien on January 1 on property values assessed on the same date (the lien date). The tax levy is billed on or about October 1 of the same year, and taxpayers qualify for a 2% discount if paid before the first day of November. Taxes become delinquent on the first day of March and are subject to penalties of 2% per month, not to exceed 24%. Property assessments are provided by the Sevier County Tax Assessor; however, the City bills and collects its own property taxes.

Deferred Inflows of Resources - As noted above, property taxes for 2018 of $773,212 are recognized as an enforceable legal claim on January 1, 2018. However, the revenue net of estimated refunds and estimated uncollectible amounts is recognized in the year in which the levy occurs and therefore is deferred until the following year. Deferred sales tax revenue of $1,138,452 is reported as deferred inflows of resources. Deferred amounts on refundings consist of deferred charges on debt refundings resulting from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred pension inflows represent inflows for actuarial experience and earnings differences for the pension plan. Deferred OPEB inflows represent inflows for change in assumptions for the OPEB plan.

Unearned Revenue - Unearned revenue consists of deposits received by the Organization in advance for future events booked at the complex and sponsorships deferred and which will be recognized as revenue over the term of the sponsorship agreement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions - For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to / deductions from the City'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 of TCRS. Investments are reported at fair value.

Tap Fees - All tap fees are recorded as operating revenue and the related cost of setting taps is expensed.

Presentation of Certain Taxes - The City collects various taxes from customers and remits these amounts to applicable taxing authorities. The City's accounting policy is to exclude these taxes from revenues and cost of sales.

Implementation of GASB Statement No. 75 - During the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which addresses reporting by governments that provide postemployment benefits to their employees. The requirements of this new standard and their effect on the financial statements are more fully explained in Notes 15 and 16.

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits - For cash and cash equivalents, this is the risk that, in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2018, the book balances of the reporting entity's cash, cash equivalents, and restricted cash totaled $33,180,261 and the bank balances totaled $34,004,564 ($276,620 of which was covered by FDIC Insurance and $33,727,944 which was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department).

Rocky Top Sports World has no uninsured cash as of June 30, 2018.

NOTE 3 - INVESTMENTS

Investments - Investments are stated at estimated fair value. State statutes authorize the City to invest in obligations of federal treasuries and agencies, certificates of deposit, and the state investment pool.

Investment Policies:

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates the City's investment policies limit investments to terms of no more than four years. As of June 30, 2018, the average weighted maturity of the City's portfolio was 14 months.

Credit Risk - Credit risk is the risk that the issuer, or other counterparty to an investment, will not fulfill its obligations. Investing is performed in accordance with investment policies which comply with applicable state statutes. The City's Investment Policy allows only investments in the highest-grade securities. As of June 30, 2018, the City's investment holdings were in compliance with state statutes.

Custodial Credit Risk - Investments - For an investment, custodial credit risk is the risk that, in the event of failure of the custodian, the City will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The City's investments are typically uninsured and unregistered investments for which the securities are held by the custodian's trust department or agent in the City's name. Certificates of deposit are secured by collateral held by the State's Collateral Pool. These would again include uninsured and unregistered investments for which the securities are held by the custodian's trust department or agent in the State's name.

NOTE 3 - INVESTMENTS (Continued)

Investment Policies (Continued):

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has no limit on the amount it may invest in any one issuer. As of June 30, 2018, all of the City's investments are in United States Treasury Bills which are securities issued by the government of the United States of America. All U.S. Government Treasury investments have an Aaa credit rating.

As of June 30, 2018, the City had the following investments and related maturities.

	Fair Value	Less than 1 Year	1 - 2 Years	2 - 4 Years
Investments:				
U.S. Treasuries	$ 6,051,644	$ 4,076,573	$ 1,975,071	$ 0

NOTE 4 - FAIR VALUE DISCLOSURES

GASB Statement 72 *Fair Value Measurements and Disclosures* (GASB 72) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB 72 also established a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little of no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that us significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

U.S Treasuries: Actively traded individual debt securities are valued at the quoted market prices for identical assets in active markets. For non-actively traded individual debt securities are valued using pricing models that maximize the use of observable inputs for similar securities which includes the yield currently available on comparable securities of issuers with similar maturities and credit ratings.

Below is a table that presents information about certain assets measured at estimated fair value on a recurring basis:

		Fair Value Measurements Using		
	Carrying Amount in the Statement of Net Position	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2018				
U.S. Treasuries	$ 6,051,644	$ 6,051,644	$ 0	$ 0
Total Investments Carried at Fair Value	$ 6,051,644	$ 6,051,644	$ 0	$ 0

NOTE 5 - OTHER TAX AND NONEXCHANGE REVENUE RECEIVABLE

Other tax and nonexchange revenue receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Nonmajor and Other Funds	Total
Other Tax and Nonexchange Revenue Receivable					
Taxes					
Sales	$ 645,937	$ 0	$ 358,236	$ 0	$ 1,004,173
Gross Receipts	673,349	168,338	0	0	841,687
Amusement	0	163,741	0	0	163,741
Hotel/Motel	196,565	0	196,565	196,565	589,695
Gasoline (Restricted for Streets and Highways)	0	0	0	24,421	24,421
Mixed Drink	0	0	0	54,639	54,639
Restaurant	0	199,389	0	0	199,389
Total Other Tax and Nonexchange Revenue Receivable	$ 1,515,851	$ 531,468	$ 554,801	$ 275,625	$ 2,877,745

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A detailed listing of interfund balances as of June 30, 2018 is as follows:

	Due From Other Funds	**Due to Other Funds**	**Total Balances**
Governmental Activities			
General Fund	$ 121,529	$ 0	$ 121,529
Business-type Activities			
Wasterwater Fund	$ 0	$ 1,504	$ 1,504
Water Fund	0	120,025	120,025
Total Business-type Activities	$ 0	$ 121,529	$ 121,529

These balances relate primarily to the reimbursement of expenditures incurred, or income earned, by one fund by paid by, or received by, another fund. All interfund balances are short term and scheduled to be collected/paid in the subsequent year.

Interfund transfers during the fiscal year were as follows:

	Transfers From:					
Transfers To:	General Fund	Convention Center Debt Service Fund	Special Tax Fund	Tourism Fund	All Other Funds	Total
General Fund	$ 0	$ 0	$ 328,250	$ 0	$ 0	$ 328,250
Tourism Fund	1,303,407	1,483,244	1,488,617	0	1,741,795	6,017,063
Public Works Construction Fund	556,224	0	434,530	0	0	990,754
All Other Funds	517,500	0	52,837	1,667	2,900	574,904
Total	$ 2,377,131	$ 1,483,244	$ 2,304,234	$ 1,667	$ 1,744,695	$ 7,910,971

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - SPONSORSHIPS

The following schedule summarizes the sponsorships due to Rocky Top Sports World as of June 30, 2018:

2019	$	18,650
2020		1,000
		19,650
Less Current Portion		(18,650)
Total	$	1,000

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 12,003,524	$ 0	$ 0	$ 12,003,524
Construction in Progress	111,609	798,470	(42,623)	867,456
Total Capital Assets, Not Being Depreciated	12,115,133	798,470	(42,623)	12,870,980
Capital Assets, Being Depreciated:				
Land Improvements	3,130,500	67,512	0	3,198,012
Buildings and Improvements	58,905,832	642,552	0	59,548,384
Equipment, Furniture and Fixtures	7,005,537	117,262	(26,657)	7,096,142
Vehicles	11,136,794	650,657	(23,314)	11,764,137
Infrastructure	42,433,831	1,049,770	0	43,483,601
Total Capital Assets, Being Depreciated	122,612,494	2,527,753	(49,971)	125,090,276
Less Accumulated Depreciation for:				
Land Improvements	(667,157)	(64,725)	0	(731,882)
Buildings and Improvements	(28,560,352)	(1,444,514)	0	(30,004,866)
Equipment, Furniture and Fixtures	(3,713,499)	(346,313)	20,157	(4,039,655)
Vehicles	(5,748,258)	(583,864)	19,946	(6,312,176)
Infrastructure	(13,903,789)	(898,908)	0	(14,802,697)
Total Accumulated Depreciation	(52,593,055)	(3,338,324)	40,103	(55,891,276)
Total Capital Assets, Being Depreciated, Net	70,019,439	(810,571)	(9,868)	69,199,000
Governmental Activities Capital Assets, Net	$ 82,134,572	$ (12,101)	$ (52,491)	$ 82,069,980

Depreciation was charged to primary government governmental activities as follows:

General Government	$	194,980
Public Safety		312,308
Public Works		1,081,337
Recreation		296,692
Transportation		447,933
Tourism		1,005,074
	$	3,338,324

NOTE 8 - CAPITAL ASSETS (Continued)

The City's policy is to capitalize interest costs when incurred by proprietary funds on debt where proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. During 2018, the City capitalized interest costs of $59,003.

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 237,734	$ 0	$ 0	$ 237,734
Construction in Progress	2,949,262	1,053,250	(916,693)	3,085,819
Total Capital Assets, Not Being Depreciated	3,186,996	1,053,250	(916,693)	3,323,553
Capital Assets, Being Depreciated:				
Buildings and Improvements	17,165,646	39,713	0	17,205,359
Equipment, Furniture and Fixtures	3,150,883	0	0	3,150,883
Infrastructure	26,803,666	1,202,276	(7,918)	27,998,024
Total Capital Assets, Being Depreciated	47,120,195	1,241,989	(7,918)	48,354,266
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,214,452)	(431,292)	0	(10,645,744)
Equipment, Furniture and Fixtures	(1,911,453)	(103,155)	0	(2,014,608)
Infrastructure	(14,111,800)	(508,524)	7,918	(14,612,406)
Total Accumulated Depreciation	(26,237,705)	(1,042,971)	7,918	(27,272,758)
Total Capital Assets, Being Depreciated, Net	20,882,490	199,018	0	21,081,508
Business-Type Activities Capital Assets, Net	$ 24,069,486	$ 1,252,268	$ (916,693)	$ 24,405,061

Capital asset activity for the City's discretely presented component unit for the year ended June 30, 2018 is as follows:

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	$ 2,390,256	$ 0	$ 0	$ 2,390,256
Total Capital Assets, Not Being Depreciated	2,390,256	0	0	2,390,256
Capital Assets, Being Depreciated:				
Equipment	1,274,276	32,425	0	1,306,701
Furniture and Fixtures	59,328	0	0	59,328
Building	16,603,753	0	0	16,603,753
Improvements Other Than Building	4,170,117	28,250	0	4,198,367
Total Capital Assets, Being Depreciated	22,107,474	60,675	0	22,168,149
Less Accumulated Depreciation for:				
Equipment	(378,715)	(130,924)	0	(509,639)
Furniture and Fixtures	(26,553)	(9,037)	0	(35,590)
Building	(2,328,864)	(776,288)	0	(3,105,152)
Improvements Other Than Building	(868,524)	(291,392)	0	(1,159,916)
Total Accumulated Depreciation	(3,602,656)	(1,207,641)	0	(4,810,297)
Total Capital Assets, Being Depreciated, Net	18,504,818	(1,146,966)	0	17,357,852
Component Unit Capital Assets, Net	$ 20,895,074	$ (1,146,966)	$ 0	$ 19,748,108

NOTE 9 - LEASES

The City leases property and facilities to Gatlinburg Ski Corporation. The lease payment is $1,000 per year for 99 years and expires August 14, 2060. At any time, the lessee has the option to purchase the property before the expiration of the lease for $400,000, provided twelve months' notice of intent to exercise the option is given.

The City leases property and facilities to the United States Postal Service. The lease payment is $79,609 per year through December 31, 2018.

The City leases property to Ripley's Aquarium (Gatlinburg), LLC. The lease is $50,000 per year for 20 years and expires in November 2020. The lessor has the right to renew the lease incrementally for an additional 78 years.

Additionally, the City receives lease revenue from various service providers for cell phone and radio towers. The leases extend through March 2029.

Anticipated rental income from these leases is as follows:

2019	$ 130,909
2020	65,718
2021	41,045
2022	41,383
2023	34,530
Thereafter	120,210
	$ 433,795

NOTE 10 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental Activities					
General Obligation Bonds	$ 47,170,000	$ 0	$ 4,865,000	$ 42,305,000	$ 5,050,000
Premium (Discount) on Bond Issuance	718,391	0	119,026	599,365	0
	47,888,391	0	4,984,026	42,904,365	5,050,000
Compensated Absences	1,787,758	768,783	714,071	1,842,470	0
	$ 49,676,149	$ 768,783	$ 5,698,097	$ 44,746,835	$ 5,050,000
Business-Type Activities					
General Obligation Bonds	$ 3,725,000	$ 0	$ 550,000	$ 3,175,000	$ 550,000
Premium (Discount) on Bond Issuance	48,562	0	2,438	46,124	0
	3,773,562	0	552,438	3,221,124	550,000
Compensated Absences	242,980	84,131	147,670	179,441	0
	$ 4,016,542	$ 84,131	$ 700,108	$ 3,400,565	$ 550,000

Governmental Activities

The City issues general obligation bonds and capital outlay notes and incurs loans payable to provide funds for the acquisition and construction of major capital items. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 to 20 year bonds with varying amounts of principal maturing each year.

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

General obligation bonds currently outstanding are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2018
General Obligation Refunding Bond	2.00-4.15%	02/19/09	06/01/25	$ 2,025,000	$ 1,175,000
General Obligation Refunding Bond	2.00-4.00%	02/19/09	06/01/20	1,585,000	200,000
General Obligation Refunding Bond	4.00%	02/19/09	06/01/19	4,575,000	2,350,000
General Obligation Bond	2.00-3.50%	09/01/11	05/01/31	7,600,000	6,910,000
General Obligation Bond	2.00-3.00%	12/12/12	06/01/37	9,730,000	9,315,000
General Obligation Refunding Bond	2.00%	03/01/13	05/01/22	** 5,425,000	2,275,000
General Obligation Bond	2.00 - 4.25%	09/20/13	06/01/37	9,850,000	9,750,000
General Obligation Bond	2.00-4.00%	03/31/14	06/01/37	7,465,000	7,390,000
General Obligation Refunding Bond	1.75 - 3.00%	04/30/14	06/30/20	8,465,000	2,940,000
					$ 42,305,000

**Total issue $6,325,000 - allocated between governmental and business-type activities.

Annual debt service requirements to maturity of the primary government for the bonds are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Interest
2019	$ 5,050,000	$ 1,264,000
2020	3,800,000	1,118,250
2021	2,280,000	1,040,675
2022	1,945,000	990,800
2023	1,955,000	946,450
2024-2028	10,260,000	3,864,268
2029-2033	9,955,000	2,240,668
2034-2038	7,060,000	661,663
Total	$ 42,305,000	$ 12,126,774

Additionally, the City has pledged future Premier Resort Tax and Local Option Sales Tax revenues from the Convention Center Debt Service Fund to repay $4,575,000 in general obligation bonds issued in February 2009. Proceeds from the bonds partially refunded debt that originally provided financing for the Mills Auditorium renovation. The remaining bonds are payable through 2019. Annual principal and interest payments on the bonds are expected to require no more than 97% of Premier Resort Tax and Local Option Sales Tax revenues recorded in the Convention Center Debt Service Fund. The total principal and interest remaining to be paid on the bonds is $2,444,000. Principal and interest paid for the current year and total pledged tax revenue were $2,408,000 and $4,345,454 respectively.

Business-Type Activities

The City issues general obligation bonds to provide funds for acquisition and construction of major capital items. All bonds and loans are backed by the full faith and credit of the City.

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

The bonds and loans payable outstanding as of June 30, 2018 are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2018
General Obligation Refunding Bond	2.00%	03/01/13	05/01/22	** 900,000	$ 425,000
General Obligation Bonds	2.00-2.20%	10/20/16	06/01/37	3,650,000	2,750,000
					$ 3,175,000

**Total issue $6,325,000 - allocated between governmental and business-type activities.

Annual debt service requirements to maturity of the proprietary funds for the bonds and loans payable are as follows:

	General Obligation Bonds	
Year Ending June 30,	Principal	Interest
2019	$ 550,000	$ 64,385
2020	215,000	53,385
2021	215,000	49,085
2022	230,000	44,785
2023	115,000	40,185
2024-2028	605,000	165,725
2029-2033	660,000	103,225
2034-2038	585,000	32,130
Total	$ 3,175,000	$ 552,905

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City carries commercial insurance covering boiler and machinery property damage, employee dishonesty and performance, automobiles, and fire damage. Coverage for all other risks is through a risk management pool sponsored by the Tennessee Municipal League. In December 1979, the City joined with other governments to form the Tennessee Municipal League (TML) Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for Tennessee municipalities. The City pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the TML Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $250,000 for each insured event. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments. The TML Risk Management Pool has published its own financial report for the year ended June 30, 2018, which can be obtained from the TML Risk Management Pool, 7 Maryland Way, Brentwood, Tennessee 37027.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on these other claims will not be significant to the City's financial statements.

NOTE 12 - JOINT VENTURES, OTHER RELATED ORGANIZATIONS AND COMPONENT UNIT

Joint Ventures and Other Related Organizations

Sevier Solid Waste, Inc.

In 1988, the City entered into a joint venture with the City of Pigeon Forge, the City of Sevierville, and Sevier County to create Sevier Solid Waste, Inc. Sevier Solid Waste, Inc. is a nonprofit organization created under the laws of the State of Tennessee for the purposes of developing and implementing a comprehensive program for the collection, transportation, disposal, and recycling of solid waste generated within the cities of Gatlinburg, Pigeon Forge, Sevierville, and Sevier County, Tennessee. The Corporation received a pro-rata contribution from each of the governmental units when the management of the operation was assumed from the City of Gatlinburg in July 1990. Sevier Solid Waste, Inc. was formed pursuant to a mutual Interlocal Cooperation Agreement between each of the governmental entities.

Sevier Solid Waste, Inc. is governed by a board of directors which consists of one representative appointed from each governmental unit. Each director has a vote equal 25%. During 1995 the Public Building Authority of Sevier County issued Solid Waste Facility Bonds, Series 1995 in the amount of $12,500,000 to finance the capital needs of Sevier Solid Waste, Inc. In 2005, the remaining balance of these Series 1995 bonds was refinanced through the Public Building Authority of Sevier County with new bonds, Series VI-E-1 with the City's pro-rata portion being 22.02%. In 1999, the Public Building Authority of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of $2,500,000 to also finance the capital needs of Sevier Solid Waste, Inc. with the City's pro-rata portion being 21.52%. During 2009 these debt issuances were refinanced with each governmental unit issuing debt for their pro-rata share of the outstanding debt. The City of Gatlinburg issued $1,585,000 in fixed rate bonds for its portion of the original outstanding Sevier Solid Waste Facility Bonds (see Note 10). As of June 30, 2018, the remaining balance on these bonds was $200,000. Each governmental unit is assessed for its share of the operational costs of Sevier Solid Waste based on a preset tipping fee multiplied by the total tonnage of solid waste taken to the facility each month by the governmental entity. The City's assessed portion of solid waste disposal services provided during the fiscal year ended June 30, 2018 was $664,844. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 1826 Ridge Road, Pigeon Forge, Tennessee 37876.

Sevier Water Board, Inc.

In 1994, the City entered into a joint venture with the City of Pigeon Forge, the City of Sevierville, and Sevier County to create the Sevier Water Board, Inc. Sevier Water Board, Inc. is a nonprofit organization created under the laws of the State of Tennessee. The purpose of the joint venture is to secure future sources of raw water for the use and benefit of the participants' citizens. An Interlocal Cooperation Agreement was entered into on December 14, 1994, providing for the development of facilities for the intake of raw water from Douglas Lake and transmission of the raw water to treatment facilities servicing the participants' respective distribution systems.

The City of Gatlinburg, through an interlocal agreement with Sevier County, the City of Pigeon Forge, and the City of Sevierville agreed that it was in the best interest of these cooperative governments to jointly construct and operate water intake, pumping, treatment, and transmission facilities for the use and benefit of these entities. To finance the project, an agreement was reached with the Public Building Authority of Sevier County, Tennessee to issue Adjustable Rate Local Government Public Improvement Bonds, Series A. Through a loan agreement between the participating governments dated June 1, 1996, the City of Gatlinburg's percentage of ownership and liability was determined to be 30%. During 2009, the outstanding bonds were refinanced by each participating entity issuing debt for their pro-rata share of the outstanding debt. The City of Gatlinburg issued $1,110,000 in fixed rate bonds for the refinancing of the City's share of the debt. As of June 30, 2018, the remaining balance on these bonds was paid in full. Total investment in the Sevier Water Board, Inc. by the City of Gatlinburg as of June 30, 2018 was $3,563,164 (cost). Financial statements of the Sevier Water Board, Inc. are available at 3221 Rena Street, Pigeon Forge, Tennessee 37863.

Gatlinburg Airport Authority, Inc.

The City of Gatlinburg officials are responsible for appointing members to the board of The Gatlinburg Airport Authority, Inc.; however, the City's accountability for this organization does not extend beyond making the appointments. The Gatlinburg Airport Authority, Inc.'s five-member board is appointed by the City; however, only two members are nominated by the City. The remaining members are nominated by another area government (the City of Pigeon Forge) and industry. The City appropriated $100,000 to The Gatlinburg Airport Authority, Inc. for the year ended June 30, 2018. Complete financial statements for The Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Authority's administrative office at 134 Air Museum Way, Sevierville, Tennessee 37862.

NOTE 12 - JOINT VENTURES, OTHER RELATED ORGANIZATIONS AND COMPONENT UNIT

Joint Ventures and Other Related Organizations

Component Unit

<u>Rocky Top Sports World</u>

In December 2012, the City entered into an agreement with Sevier County (the “County”) to develop, construct, equip and operate a Youth Sports Complex (the “Project”), consisting of soccer fields, indoor sports complex and parking facilities. The County committed to fund $6,000,000 of the project. During 2013, the County contributed $2,000,000 of its total committed amount, with the remaining to be paid to the City in four $1,000,000 installments beginning fiscal year 2016. Total cost of construction at completion, including land, buildings and equipment, was approximately $24 million. The City issued bonds totaling $23,050,000 for construction costs and other costs associated with the Project.

In accordance with the Memorandum of Understanding dated September 2012 and Inter Local Agreement dated December 2012, the City and County created a Youth Sports Complex Advisory Authority (the “Authority”), with the City appointing four members and the County appointing three members. This Authority advises and makes recommendations regarding the operation and management of the facility.

The Youth Sports Complex is named “Rocky Top Sports World” and in December 2013 the entity was incorporated as a not-for-profit corporation. The directors of the Organization consist of the City Manager, County Mayor, and a City Commissioner. The City and County have an interest in the corporation of 70% and 30%, respectively. Budgeted deficits arising from the operation of the Organization shall be funded in proportion to each party’s respective interest. For the year ended June 30, 2018, the City contributed a total of $488,178 to the Organization to assist in funding operations.

In January 2013, the City and County entered into an agreement with Sports Facilities Advisory, LLC to provide consulting and preopening management services for the Organization until the complex was opened. Effective July 1, 2017, the facility management agreement was renewed for a period of five years and includes three individual one-year renewal options. The renewal agreement calls for a monthly fixed base fee of $12,500 until the City of Gatlinburg tax revenues return to their 2015-2016 fiscal year levels for a full fiscal year. At that time, the monthly fixed base fee will increase to $14,500. The fixed base fee is subject to certain performance metrics that if not achieved could reduce the monthly payment to not less than $9,250. The renewal agreement calls for a monthly fixed base fee of $12,500 in fiscal year 2018. SFM also receives an incentive fee equal to 2% of the total gross revenues of the Organization above $500,000.

Construction of the facilities was completed and the complex opened in July 2014. The approximately $24 million asset was contributed in fiscal year 2015 from the City and County to the Organization where it was recorded as a noncash capital contribution on the books of the Organization. The City’s portion of the cost is recorded on their statement of net position as part of their investment in component unit. The outstanding bonds incurred to finance the project will remain on the books of the City.

Rocky Top Sports World is a discretely presented component unit of the City.

NOTE 13 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, which is available to non-seasonal employees, permits employees to defer a portion of their salaries to future years upon completion of six consecutive months of employment. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected in the statement of net position.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Tennessee Consolidated Retirement System - Legacy Plan

Plan Description - Employees of the City 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 publicly available financial report that can be obtained at www.treasury.state.tn.us/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% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A 1% COLA is granted if the CPI change is between one-half percent and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	141
Inactive Employees Entitled to, but not yet Receiving Benefits	217
Active Employees	198
Total	556

This plan is closed to new entrants hired after July 1, 2014.

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City has adopted a noncontributory retirement plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for the City were $675,369 based on a rate of 7.85% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are 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.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2017, 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 the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including Inflation, averaging 4.00%.
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Markets International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
Total		100%

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Net Pension Liability (Asset)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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 the City 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 Net Pension Liability (Asset)

The changes in net pension liability (asset) are shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 52,415,346	$ 54,205,386	$ (1,790,040)
Changes for the Year:			
Service Cost	707,862	0	707,862
Interest	3,920,255	0	3,920,255
Difference between Expected and Actual Experience	(108,066)	0	(108,066)
Changes of Assumptions	1,269,169	0	1,269,169
Contributions - Employer	0	1,583,741	(1,583,741)
Contributions - Employee	0	0	0
Net Investment Income	0	6,134,279	(6,134,279)
Benefit Payments - Including Refunds of Employee Contributions	(1,706,265)	(1,706,265)	0
Administrative Expenses	0	(17,049)	17,049
Net Changes	4,082,955	5,994,706	(1,911,751)
Balances at June 30, 2017	$ 56,498,301	$ 60,200,092	$ (3,701,791)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the City's calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)			
2017	$ 3,893,433	$ (3,701,791)	$ (10,029,667)

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

Pension Expense - For the year ended June 30, 2018, the City recognized pension expense of $168,384.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 1,513,788
Changes of Assumptions	1,015,335	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments.	0	4,990
Contributions Subsequent to the Measurement Date of June 30, 2017.	675,369	0
Total	$ 1,690,704	$ 1,518,778

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," 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:

For the Years ended June 30,	
2019	$ (416,608)
2020	365,379
2021	(85,530)
2022	(366,683)
Total	$ (503,442)

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

Payable to Pension Plan

At June 30, 2018, the City did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2018 since all contributions were paid prior to year end.

Tennessee Consolidated Retirement System - Hybrid Plan With Cost Controls

Plan Description - Employees of the City 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 publicly available financial report that can be obtained at www.treasury.state.tn.us/tcrs.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Tennessee Consolidated Retirement System - Hybrid Plan With Cost Controls (Continued)

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 pursuant to the rule of 90 in which the member's age and service credit total 90. 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 60 and vested or pursuant to the rule of 80. 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% 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%, 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. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to, but not yet Receiving Benefits	18
Active Employees	56
Total	74

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 5% of salary. The City makes 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%, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. Employer contributions by the City for the year ended June 30, 2018 to the Public Employee Retirement Plan were $92,018, which is 4% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the yea, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pension Liabilities (Assets) - The City's net pension liability (asset) was measured as of June 30, 2017, and the total pensions liability (asset) used to calculate the net pensions liability (asset) was determined by an actuarial value as of that date.

Actuarial Assumptions - The total pension liability (asset) as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including Inflation, averaging 4.00%.
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation.
Cost-of-Living Adjustment	2.25%

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Net Pension Liability (Asset) (Continued)

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Markets International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

The changes in net pension liability (asset) are shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 91,703	$ 123,670	$ (31,967)
Changes for the Year:			
Service Cost	65,560	0	65,560
Interest	11,684	0	11,684
Difference between Expected and Actual Experience	21,346	0	21,346
Changes of Assumptions	5,152	0	5,152
Contributions - Employer	0	63,967	(63,967)
Contributions - Employee	0	79,960	(79,960)
Net Investment Income	0	21,797	(21,797)
Benefit Payments - Including Refunds of Employee Contributions	(2,949)	(2,949)	0
Administrative Expenses	0	(4,626)	4,626
Net Changes	100,793	158,149	(57,356)
Balances at June 30, 2017	$ 192,496	$ 281,819	$ (89,323)

Changes in Net Pension Liability (Asset)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset) 2017	$ (30,845)	$ (89,323)	$ (132,446)

Negative Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative Pension Expense – For the year ended June 30, 2017, the City recognized negative pension expense of $9,212.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 37,699	$ 5,200
Changes of Assumptions	4,723	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments.	0	3,318
Contributions Subsequent to the Measurement Date of June 30, 2017.	92,018	0
Total	$ 134,440	$ 8,518

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017" 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:

For the Years ended June 30,		
2019	$	3,266
2020		3,266
2021		3,107
2022		2,343
2023		3,825
Thereafter		18,097
Total	$	33,904

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, 2018, the City did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2018 since all contributions were paid prior to year-end.

Defined Contribution Retirement Plan

The City has adopted the State of Tennessee's defined contribution retirement plan for employees as a component of the Tennessee Consolidated Retirement System - Hybrid Plan with Cost Controls for employees hired on or after July 1, 2014.

The City has elected to contribute 5% of each eligible participant's compensation per year. The City contributed $115,023 to the plan during 2018 which represents 5% of covered payroll. Covered payroll for the year ended June 30, 2018 was $2,300,461.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description - The City provides certain post-employment benefits to certain retirees. The City will allow retirees and their dependents to participate in the City's health insurance plan provided the retiree pays the requisite premium. Former employees that have attained the age of 55 and 5 years of qualifying service, or at least 30 years of services regardless of age, may obtain health insurance coverage until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan.

Benefits Provided - The City's healthcare plan is insured and serviced by Humana. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age as medical costs tend to increase with age. As a result, older employees receive a more valuable benefit than younger employees. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

General Information About the OPEB Plan (Continued)

Employees Covered by Benefit Terms - At July 1, 2017, the following employees of the City were covered by the benefit terms of The Plan:

Retired Employees	14
Disabled Employees	0
Beneficiaries	0
Active Employees	284
Total Participants	298

The contribution requirements are established and may be amended by the City. The Plan is currently being funded on a pay-as-you-go basis, whereby amounts paid by retirees are the only contributions. There are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2018, the City paid $61,647 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increases	Graded salary ranges at 2.50% per annum.
Healthcare Cost Trend Rates	8.00% for 2018, decreasing annually over a 6-year period, to an ultimate rate of 4.50%
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions to maintain coverage. The City allows retirees to continue medical insurance coverage under the Plan provided the retiree pays the requisite premium.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial demographic assumptions used in the June 30, 2017 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 3.87% (3.58% as of June 30, 2017). This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at July 1, 2017 (See Note 16)	$ 1,243,627
Changes for the Year	
Service Cost	23,339
Interest	45,359
Change in Assumptions	(33,073)
Benefit Payments	(61,647)
Net Changes	(26,022)
Balances at June 30, 2018	$ 1,217,605

Changes in Assumptions - The discount rate was changed from 3.58% as of the beginning of the measurement period to 3.87% as of June 30, 2018. This change in assumption increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Total OPEB Liability	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
2018	$ 1,333,230	$ 1,217,605	$ 1,108,771

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8.00% decreasing to 3.50%) or 1-percentage-point higher (10.00% decreasing to 5.50%) than the current healthcare cost trend rate.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	(8% Decreasing to 3.50%)	(9.00% Decreasing to 4.50%)	(10% Decreasing to 5.50%)
2018	$ 1,098,824	$ 1,217,605	$ 1,345,211

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2018, the City recognized OPEB expense of $63,528.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	$ 0	$ 27,905

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

For the Years ended June 30:		
2019	$	(5,168)
2020		(5,168)
2021		(5,168)
2022		(5,168)
2023		(5,168)
Thereafter		(2,065)
Total	$	(27,905)

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

NOTE 16 - PRIOR PERIOD ADJUSTMENT AND ADOPTION OF NEW ACCOUNTING STANDARD

Effective July 1, 2017, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which addresses reporting by governments that provide postemployment benefits to their employees. See Note 15 for additional information about the City's OPEB plan. . No beginning balances for deferred outflows or inflows of resources related to OPEB were reported, as it was not practical for the City to determine these amounts.

As a result of adopting GASB Statement No. 75, the City has recorded a prior period adjustment to the unrestricted net position as of July 1, 2017:

	Governmental Activities	Business-Type Activities	Total Primary Government
Net Position, Beginning of Year, July 1, 2017, as Originally Reported	$ 86,837,936	$ 29,536,697	$ 116,374,633
Net OPEB Liability, Beginning of Year, July 1, 2017, as calculated and reported under GASB Statements No. 75.	(1,131,700)	(11,927)	(1,143,627)
Net Position, Beginning of Year, July 1, 2017, as Restated	$ 85,706,236	$ 29,524,770	$ 115,231,006

Copies of the complete financial statements of the City for the current Fiscal Year are available at https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html.