

OFFICIAL STATEMENT

NEW ISSUE BOOK-ENTRY-ONLY

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

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

\$9,605,000

CITY OF PIGEON FORGE, TENNESSEE

General Obligation Refunding and Improvement Bonds, Series 2017

Dated: assume April 20, 2017

Due: June 1 (as indicated below)

The \$9,605,000 General Obligation Refunding and Improvement Bonds, Series 2017 (the "Bonds") shall be issued as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2017 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office the "Registration Agent".

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

Bonds maturing June 1, 2023 and thereafter are subject to redemption prior to maturity on or after June 1, 2022.

Maturity (June 1)	Amount	Interest Rate	Yield	CUSIP No.**	Maturity (June 1)	Amount	Interest Rate	Yield	CUSIP No.**
2018	\$ 460,000	4.00%	0.95%	721014 MB1	2024	\$1,060,000	2.00%	1.80% c	721014 MH8
2019	710,000	4.00	1.10	721014 MC9	2025	1,015,000	2.00	1.90 c	721014 MJ4
2020	730,000	4.00	1.25	721014 MD7	2026	1,015,000	2.00	2.00	721014 MK1
2021	920,000	4.00	1.40	721014 ME5	2027	1,105,000	2.25	2.10 c	721014 ML9
2022	1,045,000	4.00	1.55	721014 MF2	2028	485,000	2.50	2.20 c	721014 MM7
2023	1,060,000	2.00	1.70 c	721014 MG0					

c = Yield to call on June 1, 2022.

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Ogle Gass & Richardson P.C., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about April 20, 2017.

Cumberland Securities Company, Inc.

Financial Advisor

March 28, 2017

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, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the 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, the Financial Advisor 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, the Financial Advisor 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 Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

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

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

CITY OF PIGEON FORGE, TENNESSEE

BOARD OF COMMISSIONERS

David Wear, *Mayor*
Kevin J. McClure, *Vice Mayor*
Joyce Brackins, *Commissioner*
Jay Ogle, *Commissioner*
Howard Reagan, *Commissioner*

CITY OFFICIALS

Earlene M. Teaster
City Manager

Dennis Clabo
City Recorder

James Gass, Esq.
City Attorney

UNDERWRITER

Fifth Third Securities, Inc.
Cincinnati, Ohio

REGISTRATION, 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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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 Pigeon Forge, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	\$9,605,000 General Obligation Refunding and Improvement Bonds, Series 2017 (the “Bonds”).
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) refinancing the Outstanding Bonds (as defined herein) (ii) construction and equipping of a parks and recreation facility; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing; and (v) paying of the costs related to the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2022, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated or deemed designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration and 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.....	Fifth Third Securities, Inc., Cincinnati, Ohio.
Book-Entry-Only.....	The Bonds will be issued under a Book-Entry-Only System with DTC except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book-Entry-Only System”.

GeneralThe Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.

Other Information.....The information in the *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under 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 Mr. Dennis Clabo, City Recorder, 225 Pine Mountain Road, Pigeon Forge, Tennessee 37868-1350 (865) 453-9061; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663.

GENERAL FUND

**Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning Fund Balance	\$ 35,264,601	\$ 54,415,899	\$42,794,310	\$39,477,786	\$46,017,903
Revenues	39,887,981	41,141,745	42,055,698	46,470,302	51,590,721
Expenditures	46,078,175	51,395,449	44,267,152	57,869,327	52,016,924
Other Financing Sources:					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	(1,186,882)	(1,367,885)	(1,105,070)	(2,008,620)	(4,696,411)
Debt Issuance	26,528,374	-	-	-	-
Excess of Revenues					
Over (Under) Expenditures	19,151,298	(11,621,589)	(3,316,524)	6,540,117	(5,122,614)
Adjustments	-	-	-	-	(11)
Ending Fund Balance	<u>\$54,415,899</u>	<u>\$42,794,310</u>	<u>\$39,477,786</u>	<u>\$46,017,903</u>	<u>\$40,895,278</u>

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

\$9,605,000
CITY OF PIGEON FORGE, TENNESSEE
General Obligation Refunding and Improvement Bonds, Series 2017

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 Pigeon Forge, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$9,605,000 General Obligation Refunding and Improvement Bonds, Series 2017 (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 resolutions adopted by the City Council (the “Council”). The detailed bond resolutions (the “Resolution”) were adopted by the Council on August 25, 2014 and September 26, 2016.

The Bonds are being issued for the purpose of (i) refinancing the Outstanding Bonds (as defined herein) (ii) construction and equipping of a parks and recreation facility; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing; and (v) paying of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance April 20, 2017. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2017. 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.

REFUNDING PLAN

The City will refinance all or a portion of the City’s General Obligation Refunding Bonds, Series 2008A, dated April 24, 2008, maturing June 1, 2019 and thereafter (the “Outstanding Bonds”). The Outstanding Bonds shall be redeemed on June 1, 2018.

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Municipality 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 amount of taxes levied may be reduced by other revenues/funds of the City.

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

OPTIONAL REDEMPTION

Bonds maturing June 1, 2023, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2022 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council of the Municipality, 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, shall be given by the Registration Agent on behalf of the Municipality 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 Municipality 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 Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository, if applicable, or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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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.

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities

transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of __+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may

wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

DISPOSITION OF BOND PROCEEDS

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

- (a) an amount, which, together with other legally available funds of the Issuer and earnings on said proceeds and funds, will be sufficient to pay principal, accrued interest and redemption premium, as appropriate, on the Outstanding Bonds on the first date after the date of issuance that the same may be redeemed at the option of the Issuer (the "Call Date") and at the applicable redemption prices, shall be immediately paid over to the Escrow Agent to be held and applied, together with any investment proceeds thereof, on the Call Date for the payment and retirement of the Outstanding Bonds; and shall be immediately applied for such purpose;
- (b) the City shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Bond Registrar fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds; and
- (c) any remaining proceeds (including any returned proceeds) shall be deposited in the Bond Fund and applied to the payment of the next due interest and/or principal on the Bonds, or used to buy Bonds in the open market, as directed by bond counsel.

DISCHARGE AND SATISFACTION OF BONDS

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

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

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the

City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the Municipality, including, but not limited to, the right to require the Municipality 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 Municipality 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

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The City, after reviewing the current status of all pending and threatening litigation with its counsel, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatening against them or their officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the City.

There is no litigation now pending or, to the knowledge of the City, threatened which restrains or enjoins the issuance or delivery of the Bonds, the power of the City to levy and collect taxes to pay the Bonds, or the use of the proceeds of the Bonds or which questions or contests the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor the existence of the City, nor the title of the present officials of the City to their respective offices, is being contested or questioned.

TAX MATTERS

Federal

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

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

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

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

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,

- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "CHANGES IN FEDERAL AND STATE TAX LAW".

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

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

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

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

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of

exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

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

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) 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 including the following: (i) a certificate as to the Official Statement, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the Official Statement, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the Official Statement, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the Official Statement, in final form, and having attached thereto a copy of the Official Statement, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

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 rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on March 28, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated March 20, 2017.

The successful bidder for the Bonds was an account led by Fifth Third Securities, Inc., Cincinnati, Ohio (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 \$9,923,418.54 (consisting of the par amount of the Bonds, plus a reoffering premium of \$385,867.25 less an underwriter’s discount of \$67,448.71) or 103.315133% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

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

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

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

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

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

DEBT RECORD

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

ADDITIONAL DEBT

The City has authorized additional debt to fund reimbursements on its costs related to funding a baseball park that opened in early 2016. The City also has ongoing capital needs and may or may not issue additional debt in the future.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a 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, 2016 (the "Annual Report"), and to provide timely notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual 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 Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The City is in compliance with the undertakings required under the Rule.

Five-Year Filing History. In the past five years, the City has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 721014 which is the base CUSIP Number for the City; however, the City inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the City was an obligated person. The City has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number.

While it is believed that all appropriate filings were made with respect to the ratings of City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds of the City or various insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, which the city does not believe is material, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-20;
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-21 and B-22;
3. Information about the Bonded Debt Service Requirements – General Obligation Fund as of the end of such fiscal year as shown on page B-23;
4. Information about Bonded Debt Service Requirements – Water System as of the end of such fiscal year as shown on page B-24;
5. The fund balances and retained earnings for the fiscal year as shown on page B-26;
6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-27;
7. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer for the fiscal year as shown on page B-28;
9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated appraised value of all taxable property for such year as shown on page B-34;
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-34; and
11. The ten largest taxpayers as shown on page B-35.

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 Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and the OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur

or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and the 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.

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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/ David Wear
Mayor

ATTEST:

/s/ Dennis Clabo
City Recorder

FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Pigeon Forge, Tennessee (the "Issuer") of the \$9,605,000 General Obligation Refunding and Improvement Bonds, Series 2017 (the "Bonds") dated April 20, 2017. 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 resolutions of the Board of Commissioners of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.

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

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

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) 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.

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

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

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

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

Yours truly,

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Pigeon Forge (the "City") is located in Sevier County, Tennessee at the foothills of the Great Smoky Mountains. Sevier County (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. Pigeon Forge is approximately 30 miles southeast of Knoxville and directly adjacent to Sevierville, the County seat. Incorporated towns within Sevier County include Gatlinburg, the principal resort town for the Great Smoky Mountains National Park area, Sevierville, Pigeon Forge and Pittman Center. The City is within a day's drive of two-thirds of the population of the United States.

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-seven schools. This system includes four primary schools, seven elementary schools, two intermediate schools, four middle schools, and four high schools with a fall 2015 combined enrollment of over 14,580 students and about 1,085 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 2015 enrollment was 5,971 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 Technology Center at Morristown Sevierville Campus. The Tennessee Technology Center at Morristown is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center 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 Technology Center at Morristown serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The Technology Center at Morristown main campus is located in Hamblen County. Fall 2014 enrollment was 950 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

Source: Tennessee Technology Center at Morristown and Tennessee Higher Education Commission.

HEALTHCARE

The hospital facility, *LeConte Medical Center*, was completed in February of 2010 and is located across the street from its prior location, formerly known as Fort Sanders Sevier Medical Center. This new 79-bed, 200,000-square-foot facility replaced the current hospital. 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 new hospital in Sevier County 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.

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Sevier County</u>	<u>Pigeon Forge</u>	<u>Sevierville</u>
Median Value Owner Occupied Housing	\$178,600	\$142,100	\$159,000	\$166,800	\$173,200
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	82.4%	78.2%	82.9%
% Persons with Income Below Poverty Level	13.50%	16.70%	14.6%	15.9%	25.3%
Median Household Income	\$53,889	\$45,219	\$42,258	\$32,125	\$34,833

Source: U.S. Census Bureau State & County QuickFacts - 2015.

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.

NOVEMBER 2016 WILDFIRES

On November 23, 2016 a small, one-and-a-half-acre fire was first reported near the Chimney Tops Trail in the Great Smoky Mountains National Park (the "GSMP") in Sevier County. The fire had remained containable in a remote area until the evening of November 28, 2016 when a storm front blew hurricane force winds into the area. The high winds blew the fire towards the GSMP gateway town of Gatlinburg with almost no warning. The winds also blew down multiple power lines whose sparks created multiple additional fires.

The firestorm raced through the GSMP, Gatlinburg, Tennessee and a very small portion of Pigeon Forge, Tennessee. The wildfires covered more than 17,100 acres, killing 14 people, injuring 190 people, displacing more than 14,000 residents and visitors, and destroying or damaging 2,460 homes and businesses — 1,137 in Gatlinburg, 18 in Pigeon Forge and 1,305 in Sevier County (there was no damage in Sevierville, Tennessee). Downtown Gatlinburg was spared from the fires. Totals released December 13, 2016 showed a cost of \$500 million to Sevier County. As of December 14, 2016, the cost of fighting the wildfires was estimated to be more than \$7.6 million.

The fires were brought on mainly by a drought that began in April of 2016, and during the week of the fire the area was classified at Exceptional Level (the highest level) by the National Drought Mitigation Center of the United States Department of Agriculture. This fire was not the first fire in the State for 2016; for two months prior to the Sevier County fire, a series of wildfires had already burned through 44,027 acres elsewhere in Tennessee and more than 300,000 acres across the South.

State Executive Order and a State of Emergency. Governor Bill Haslam issued an executive order suspending some state laws to ensure wildfire victims can obtain health care services, consumer rights protections and other state services in the wake of the wildfires. The order also enacts a state of emergency from November 28, 2016 through January 30, 2017 preventing individuals and businesses from charging excessive prices for essential goods and services including repair or construction, building materials, gas, food, medical supplies, housing, storage and other necessities.

The My People Fund. The Dollywood Foundation is a 501(c)(3) nonprofit and has pledged through the My People Fund to donate \$1,000 a month for six months to any family who lost their primary residence (renters and homeowners) due to the wildfires in Sevier County. The Dollywood Foundation also accepted donations to the My People Fund through a nationally televised telethon on December 13, 2016.

Dolly Parton hosted the telethon that featured performers such as Dolly Parton, Kenny Rogers, Hank Williams Jr., Chris Stapleton, Reba McEntire, Alison Krauss, Michael W. Smith, Chris Janson, Big & Rich, LOCASH, Chris Young, Montgomery Gentry, Jamey Johnson, Cyndi

Lauper, Don McLean, Amy Grant, Alabama, Aaron Lewis and Rhonda Vincent. \$9 million was raised the night of the telethon, with more donations being collected afterwards. Many high-profile donors donated \$50,000 or more each: Verizon, Tanger Outlets, Miley Cyrus' Happy Hippie Foundation, CoreCivic, The Blalock Company, Tennessee Titans, Nashville Predators, Country Music Television, Country Music Association, the Academy of Country Music and ACM Lifting Lives, Paula Deen, Taylor Swift, Kenny Chesney, Paul Simon and many other recording artists.

Source: the Knoxville News Sentinel.

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.

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.

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%

<u>Pigeon Forge</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Restaurant Tax Revenue*	\$232,367,827	\$171,126,227	-	-
Amusement Revenue	183,466,861	163,840,200	\$153,917,524	\$144,974,848
Lodging Revenue	202,106,805	167,883,605	153,094,669	147,295,072
Other Revenue	359,462,287	560,756,004	N/A	N/A

* Restaurant Tax did not begin collection until 2014.
 Source: Sevier County Economic Development Council.

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. The 2013 gross revenue was over \$937 million.

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.

The Dollywood theme park itself suffered no damaged from the November 2016 wildfires, however more than a dozen of the rental cabins owned by Dollywood Entertainment located on the outside border of the theme park were damaged in the fire. The Dollywood’s DreamMore Resort also suffered no damage from the fires.

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.

The LeConte Center was undamaged in the November 2016 wildfires.

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.

The Music Road Entertainment Park was undamaged in the November 2016 wildfires.

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.

The Titanic Museum was undamaged in the November 2016 wildfires.

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.

The WonderWorks facility was undamaged in the November 2016 wildfires.

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%

<u>Gatlinburg</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Restaurant Revenue	\$132,650,378	\$126,163,212	\$112,956,305	\$108,286,238
Amusement Revenue	64,476,376	55,842,538	52,388,350	48,618,838
Lodging Revenue	189,948,757	166,844,002	140,195,469	136,652,640
Other Revenue	168,931,338	279,663,412	197,177,441	184,743,129

Source: Sevier County Economic Development Council.

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.

Downtown Gatlinburg suffered no significant damage from the November 2016 Wildfires.

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 through 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.

The Dogwood Plaza suffered no damage from the wildfires of November 2016.

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.

The Convention Center suffered no damage from the wildfires of November 2016.

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. Monroe County is located southwest of the Park. 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. A report from the National Park Service says more than 9.6 million visitors to Great Smoky Mountains National Park spent \$741 million in communities near the park in 2012. 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.

The wildfires of November 2016 burned over 17,100 acres (less than 3.3% of the Park), most of which were located within the Park. Please see the section "NOVEMBER 2016 WILDFIRES" for more information.

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.

The Nantahala Outdoor Center Great Outpost was undamaged in the November 2016 wildfires.

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.

Ober Gatlinburg suffered no damage from the November 28 wildfires. The Aerial Tramway reopened on December 12, 2016 after Engineers from Switzerland deemed the tramway's cable towers in good condition to operate after the wildfires. The ski and snowboard slopes at Ober Gatlinburg reopened for the season on December 16, 2016.

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.

Park Vista Hotel suffered some damage from the wildfires of November 2016. The hotel was closed for 22 days after the wildfire, but reopened on December 21, 2016 after repairs were completed.

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.

Ripley’s Aquarium suffered no damage from the wildfires of November 2016. During the mandatory evacuation on the night of the fire, the facility’s generators kept the power going to ensure the survival of all the animals present until staff were allowed back.

Source: The Knoxville Sentinel.

Sevierville

Tax Structure

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

<u>Sevierville</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Restaurant Tax Revenue*	\$ 165,355,962	\$ 155,620,030	\$ 80,601,450	-
Amusement Revenue*	12,209,128	10,556,453	6,893,850	-
Lodging Revenue	74,973,645	71,472,923	65,938,683	\$65,792,212
Other Revenue	1,162,062,681	1,082,773,030	N/A	N/A

* Restaurant Tax and Amusement Revenue did not begin collection until July of 2013.

Source: Sevier County Economic Development Council.

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 has almost 2,000 businesses.

The City of Sevierville had no damage from the November 2016 wildfires.

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.

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.

Major Employers in the City of Pigeon Forge

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Dollywood*	Amusement Park	3,100
Collier Foods	Restaurant	860
Fee Hedrick Family Entertainment	Entertainment	511
Family Inns of America	Hotels	475
City of Pigeon Forge	Government	400
Dixie Stampede	Dinner Theater	265
Holiday Inn	Motel	125
Kroger’s	Grocery Store	125
The Track	Amusement Park	121
Best Western Motel	Motel	110

*Employment figure is based on Operating season, it drops to around 300 during the off-season.
 Source: Department of Economic & Community Development, City of Sevierville Audit and Knoxville News Sentinel - 2015.

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

Major Employers in Sevier County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Dollywood*	Amusement Park	3,100
Sevier County Schools	School System	2,450
Collier Foods	Restaurant	860
Tanger Five Oaks Outlet	Retail	800
Sevier County	Government	650
Wilderness at the Smokies	Hotel and Water Park	634
Charles Blalock & Sons	Asphalt & Concrete	600
LeConte Medical Center	Hospital	546
Walmart	Retail	527
Fee Hedrick Family Entertainment	Entertainment	511
Family Inns of America	Hotels	475
Israel Enterprises	Restaurants	450
City of Pigeon Forge	Government	400
Ripley's Aquarium	Aquarium	371
Diverse Concepts		361
City of Gatlinburg	Government	356
Wyndham Vacation ownership	Collections	350
Great Smoky Mtns National Park	National Park	345
Bass Pro Shop	Retail	336
City of Sevierville	Government	332
Johnson Family of Restaurants	Restaurants	300
Dixie Stampede	Dinner Theater	265
Stokely Hospitality	Restaurants, Catering & Resorts	250
Blalock Lumber Co	Asphalt & concrete	250
Ober Gatlinburg	Ski Resort & Amusement Park	230
Park Vista Hotel	Hotel	200
Federal-Mogul Corp.	Motor Vehicle Parts	170

*Employment figure is based on Operating season; it drops to around 300 during the off-season.

Source: Department of Economic & Community Development, City of Sevierville Audit, the City of Gatlinburg Audit and Knoxville News Sentinel - 2015.

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, 2015's rates ranged from 10.9% in January to 5.1% in August.

For the month of December 2016, the unemployment rate for the Sevierville mSA and Sevier County stood at 5.7% with 48,160 persons employed out of a labor force of 51,060. As of December 2016, the unemployment rate in the Knoxville-Sevierville-Harriman-LaFollette CSA stood at 4.9%, representing 508,290 persons employed out of a workforce of 534,320.

Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Sevierville mSA & Sevier County	10.0%	8.7%	8.7%	7.2%	6.1%
Index vs. National	112	107	118	116	115
Index vs. State	109	108	106	107	105
Knoxville-Sevierville- Harriman CSA	8.3%	7.5%	7.7%	6.5%	6.5%
Index vs. National	93	93	104	105	123
Index vs. State	90	94	94	97	112

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

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ECONOMIC DATA

Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
Sevierville mSA & Sevier County	\$28,858	\$30,061	\$31,236	\$31,532	\$32,350
Index vs. National	72	71	71	71	70
Index vs. State	81	81	80	80	80
Knoxville-Sevierville-Harriman CSA	\$33,312	\$35,215	\$36,675	\$36,614	\$37,718
Index vs. National	83	83	83	82	82
Index vs. State	94	94	94	93	93

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

RECENT DEVELOPMENTS

November 2016 Wildfire Damage. The November 28, 2016 wildfires affected parts of Gatlinburg, Pigeon Forge and Sevier County. The list of the major businesses and communities that were significantly damaged or destroyed in the wildfires can be found at the Knoxville News Sentinel website, www.knoxnews.com.

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.

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. A Margaritaville hotel with 132 rooms is set to open in fall 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.

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) will rebuild 800 lost units plus add another 100 dwelling units. Also, a new 50,000-square-foot indoor activity center that will offer rope and rock climbing will be built. Construction is to begin immediately.

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 employs more than 250 people.

Wilderness at the Smokies. 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 mini-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 PIGEON FORGE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING' (06/30/2016)
\$ 15,350,000	(6) General Obligation Refunding Bonds, Series 2008A (TDZ)	June 2028	Fixed	\$ 14,380,000
5,100,000	(2) General Obligation Refunding Bonds, Series 2009	June 2020	Fixed	765,000
17,750,000	General Obligation Refunding Bonds, Series 2009B	June 2020	Fixed	8,745,000
45,000,000	(2) General Obligation Bonds, Series 2010 (Federally Taxable RZEDB's)	June 2040	Fixed (7)	45,000,000
29,700,000	(2)(8) Loan Agreement, Series VII-K-1	June 2034	Variable/Synthetic (4) & (5)	29,065,000
49,445,000	Public Facility Bonds, Series 2011	June 2036	Fixed	48,500,000
23,625,000	General Obligation Bonds, Series 2012	June 2037	Fixed	23,625,000
9,750,000	General Obligation Bonds, Series 2014	June 2037	Fixed	9,420,000
9,890,000	General Obligation Bonds, Series 2015	June 2037	Fixed	9,535,000
\$ 205,610,000	TOTAL BONDED DEBT			\$ 189,035,000
	ISSUED AFTER JUNE 30, 2016			
\$ 9,715,000	(2) General Obligation Refunding Bonds, Series 2016	June 2028	Fixed	\$ 9,715,000
(9,285,000)	Less: Refunded Bonds (Series 2008A)	June 2028	Fixed	(9,285,000)
	Less: Revenue Supported Debt			(63,669,924)
\$ 206,040,000	NET BONDED DEBT - POST JUNE 30, 2016			\$ 125,795,076
	CURRENT BOND ISSUE			
\$ 9,605,000	(2) General Obligation Refunding & Improvement Bonds, Series 2017	June 2028	Fixed	\$ 9,605,000
(4,095,000)	Less: Refunded Bonds (Series 2008A)	June 2028	Fixed	(4,145,000)
\$ 211,550,000	NET BONDED DEBT - POST JUNE 30, 2016			\$ 131,255,076

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) All or a portion is additionally payable from revenues of the Water and Sewer Department
- (3) Additionally Payable from lease revenues of the Theater and Entertainment Park.
- (4) The Series IV-E-1 Bonds were swapped to a synthetic fixed rate pursuant to Interest Rate Swap Agreement. The swap agreement originally associated with the Series IV-E-1 Bonds is now associated with a portion of the VII-K-1 Bonds due to subsequent refinancings of the Series IV-E-1 Bonds. For more information, see the notes to the Financial Statements in the CAFR.
- (5) The City budgets to account for interest rate and/or basis risk.
- (6) The Series 2008A Bonds are additionally payable by revenues received by the Premier Resort Tax. For more information, see the notes to the Financial Statement in the CAFR.
- (7) Average Coupon of 3.8848% Net of Estimated U.S. Treasury Rebate.
- (8) The Series VII-K-1 Bonds are held by Regions Bank at a rate determine monthly at a fixed percentage of 1-month LIBOR plus a fixed credit spread. Regions Bank has the option of tendering the Series VII-K-1 Bonds on December 1, 2019. If the Series VII-K-1 Bonds are optionally tendered, the the Series VII-K-1 Bonds would have to be remarketed or paid by the City.

CITY OF PIGEON FORGE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ended June 30					Post Issuance 2016
	2011	2012	2013	2014	2015	
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 43,206,221	\$ 117,651,221	\$ 115,731,221	\$ 113,451,221	\$ 129,676,000	\$ 125,439,942
TOTAL TAX SUPPORTED	<u>\$ 43,206,221</u>	<u>\$ 117,651,221</u>	<u>\$ 115,731,221</u>	<u>\$ 113,451,221</u>	<u>\$ 129,676,000</u>	<u>\$ 125,439,942</u>
REVENUE SUPPORTED						
Water & Sewer System	\$ 66,518,779	\$ 66,078,779	\$ 65,633,779	\$ 65,108,799	\$ 64,364,000	\$ 63,595,058
Theater & Entertainment Park	1,430,000	970,000	500,000	-	-	-
TOTAL REVENUE SUPPORTED	<u>\$ 67,948,779</u>	<u>\$ 67,048,779</u>	<u>\$ 66,133,779</u>	<u>\$ 65,108,799</u>	<u>\$ 64,364,000</u>	<u>\$ 63,595,058</u>
TOTAL DEBT	<u>\$ 111,155,000</u>	<u>\$ 184,700,000</u>	<u>\$ 181,865,000</u>	<u>\$ 178,560,020</u>	<u>\$ 194,040,000</u>	<u>\$ 189,035,000</u>
Less: Revenue Supported Debt	\$ (67,948,779)	\$ (67,048,779)	\$ (66,133,779)	\$ (65,108,799)	\$ (64,364,000)	\$ (63,595,058)
Less: Debt Service Fund	-	-	-	-	-	-
NET DIRECT DEBT	<u>\$ 43,206,221</u>	<u>\$ 117,651,221</u>	<u>\$ 115,731,221</u>	<u>\$ 113,451,221</u>	<u>\$ 129,676,000</u>	<u>\$ 125,439,942</u>
PROPERTY TAX BASE						
Estimated Actual Value	\$ 2,151,966,648	\$ 1,851,459,537	\$ 1,848,746,574	\$ 1,856,160,301	\$ 1,884,236,921	\$ 1,898,376,376
Appraised Value	1,979,809,316	1,851,459,537	1,848,746,574	1,856,160,301	1,884,236,921	1,898,376,376
Assessed Value	646,452,516	607,252,723	607,272,012	609,637,790	622,374,540	625,618,625

For Fiscal Years Ended June 30

DEBT RATIOS	2011	2012	2013	2014	2015	2016	Post Issuance 2016
TOTAL DEBT to Estimated Actual Value	5.17%	9.98%	9.84%	9.62%	10.30%	9.96%	10.27%
TOTAL DEBT to Appraised Value	5.61%	9.98%	9.84%	9.62%	10.30%	9.96%	10.27%
TOTAL DEBT to Assessed Value	17.19%	30.42%	29.95%	29.29%	31.18%	30.22%	31.17%
NET DIRECT DEBT to Estimated Actual Value	2.01%	6.35%	6.26%	6.11%	6.88%	6.61%	6.91%
NET DIRECT DEBT to Appraised Value	2.18%	6.35%	6.26%	6.11%	6.88%	6.61%	6.91%
NET DIRECT DEBT to Assessed Value	6.68%	19.37%	19.06%	18.61%	20.84%	20.05%	20.98%
PER CAPITA RATIOS							
POPULATION (1)	5,939	5,988	6,036	6,132	6,171	6,171	6,171
PER CAPITA PERSONAL INCOME (2)	\$30,061	\$31,236	\$31,532	\$32,350	\$32,350	\$32,350	\$32,350
Estimated Actual Value to POPULATION	362,345	309,195	306,287	302,701	305,337	307,629	307,629
Assessed Value to POPULATION	108,849	101,412	100,608	99,419	100,855	101,380	101,380
Total Debt to POPULATION	18,716	30,845	30,130	29,119	31,444	30,633	31,595
Net Direct Debt to POPULATION	7,275	19,648	19,173	18,502	21,014	20,327	21,270
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	62.26%	98.75%	95.55%	90.01%	97.20%	94.69%	97.67%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	24.20%	62.90%	60.81%	57.19%	64.96%	62.84%	65.75%

(1) Per capita computations are based upon POPULATION data according to the U.S. Census and the Government of Pigeon Forge.

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

CITY OF PIGEON FORGE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Includes TDZ

(Excludes Water and Sewer Revenue Supported Debt and Theater and Entertainment Park Revenue Supported Debt)

As of April 20, 2017

FY Ended 6/30	Existing General Obligation Debt (Post Series 2016 Bonds)		Plus: Allocated Portion of General Obligation Refunding & Improvement Bonds, Series 2017		% 2017 Principal Repaid		Debt Service Requirements		% All Principal Repaid	
	Principal	Interest ²	Principal	Interest ²	Principal	Repaid	Principal(1)	Interest(2)	Principal	Repaid
2017	\$ 4,266,896	\$ 5,177,872	\$ -	\$ -	-	-	\$ 4,266,896	\$ 5,177,872	\$ 9,444,769	3.25%
2018	4,540,523	4,924,329	450,000	179,280	629,280	-	4,990,523	5,103,609	10,094,133	
2019	4,707,396	4,748,101	485,000	142,950	627,950	-	5,192,396	4,891,051	10,083,447	
2020	4,888,468	4,571,678	505,000	123,550	628,550	-	5,393,468	4,695,228	10,088,696	
2021	5,411,521	4,397,958	525,000	103,350	628,350	35.99%	5,936,521	4,501,308	10,437,830	19.64%
2022	5,607,660	4,185,853	545,000	82,350	627,350	-	6,152,660	4,268,203	10,420,863	
2023	5,707,709	3,963,150	565,000	60,550	625,550	-	6,272,709	4,023,700	10,296,409	
2024	6,056,097	3,737,146	575,000	49,250	624,250	-	6,631,097	3,786,396	10,417,492	
2025	6,180,674	3,495,911	590,000	37,750	627,750	-	6,770,674	3,533,661	10,304,335	
2026	6,568,131	3,249,410	600,000	25,950	625,950	88.64%	7,168,131	3,275,360	10,443,492	44.78%
2027	6,775,000	2,984,305	620,000	13,950	633,950	-	7,395,000	2,998,255	10,393,255	
2028	6,800,000	2,709,363	-	-	-	-	6,800,000	2,709,363	9,509,363	
2029	8,200,000	2,467,288	-	-	-	-	8,200,000	2,467,288	10,667,288	
2030	7,205,000	2,102,113	-	-	-	-	7,205,000	2,102,113	9,307,113	
2031	5,840,000	1,812,525	-	-	-	100.00%	5,840,000	1,812,525	7,652,525	71.78%
2032	6,255,000	1,563,550	-	-	-	-	6,255,000	1,563,550	7,818,550	
2033	6,480,000	1,294,075	-	-	-	-	6,480,000	1,294,075	7,774,075	
2034	6,720,000	1,001,925	-	-	-	-	6,720,000	1,001,925	7,721,925	
2035	7,100,000	699,125	-	-	-	-	7,100,000	699,125	7,799,125	
2036	7,685,000	408,350	-	-	-	100.00%	7,685,000	408,350	8,093,350	97.87%
2037	2,800,000	93,613	-	-	-	100.00%	2,800,000	93,613	2,893,613	100.00%
	<u>\$ 125,795,076</u>	<u>\$ 59,587,637</u>	<u>\$ 5,460,000</u>	<u>\$ 818,930</u>	<u>\$ 6,278,930</u>		<u>\$ 131,255,076</u>	<u>\$ 60,406,567</u>	<u>\$ 191,661,643</u>	

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) True Interest Cost of 1.978%.

CITY OF PIGEON FORGE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer System (Revenue and Tax)
 As of April 20, 2017

FY Ended June 30	Existing Water and Sewer Debt (Post Series 2016 Bonds)			Estimated Net U.S. Treasury Rebate			TOTAL			Less: Portion of General Obligation Refunding Bonds, Series 2008A			Plus: Allocated Portion of General Obligation Refunding & Improvement Bonds, Series 2017			Principal (1)	Net Interest (2)	TOTAL	% Principal Repaid
	Principal	Interest ¹	Interest	Principal	Interest	Interest	Principal	Interest	Interest ³	Principal	Interest	Interest	Principal	Interest	Interest				
2017	\$ 803,104	\$ 4,053,320	\$ (1,331,280)	\$ 3,525,143	\$ (95,460)	\$ (95,460)	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ 803,104	2,626,580	3,429,683	1.26%			
2018	849,477	3,998,209	(1,331,280)	3,516,405	(190,920)	(190,920)	-	126,580	136,580	225,000	136,580	136,580	859,477	2,602,588	3,462,064				
2019	882,604	3,960,637	(1,331,280)	3,511,960	(190,920)	(190,920)	(200,000)	113,238	338,238	225,000	338,238	338,238	907,604	2,511,674	3,459,278				
2020	906,532	3,921,675	(1,331,280)	3,496,926	(182,920)	(182,920)	(370,000)	104,238	329,238	225,000	329,238	329,238	931,532	2,511,712	3,443,244				
2021	1,253,479	3,880,984	(1,331,280)	3,803,182	(174,420)	(174,420)	(370,000)	95,238	490,238	395,000	490,238	490,238	1,278,479	2,470,521	3,749,000	7.50%			
2022	1,367,340	3,824,640	(1,331,280)	3,860,699	(158,695)	(158,695)	(475,000)	79,438	579,438	500,000	579,438	579,438	1,392,340	2,414,102	3,806,442				
2023	1,452,291	3,760,880	(1,331,280)	3,881,891	(137,083)	(137,083)	(475,000)	59,438	554,438	495,000	554,438	554,438	1,472,291	2,351,955	3,824,246				
2024	1,568,903	3,694,072	(1,331,280)	3,931,695	(115,470)	(115,470)	(475,000)	49,538	534,538	485,000	534,538	534,538	1,578,903	2,296,859	3,875,762				
2025	1,639,326	3,622,094	(1,331,280)	3,930,140	(92,670)	(92,670)	(430,000)	39,838	464,838	425,000	464,838	464,838	1,634,326	2,237,981	3,872,307				
2026	1,731,869	3,548,317	(1,331,280)	3,948,906	(72,030)	(72,030)	(430,000)	31,338	446,338	415,000	446,338	446,338	1,716,869	2,176,344	3,893,213	19.73%			
2027	3,405,000	3,470,610	(1,331,280)	5,544,330	(50,960)	(50,960)	(515,000)	23,038	508,038	485,000	508,038	508,038	3,375,000	2,111,407	5,486,407				
2028	3,555,000	3,277,175	(1,285,146)	5,547,029	(23,725)	(23,725)	(525,000)	1,212,5	497,125	485,000	497,125	497,125	3,315,000	1,978,429	5,493,429				
2029	2,915,000	3,074,000	(1,236,706)	4,752,294	-	-	-	-	-	-	-	-	2,915,000	1,837,294	4,752,294				
2030	3,040,000	2,894,250	(1,186,797)	4,747,453	-	-	-	-	-	-	-	-	3,040,000	1,707,453	4,747,453				
2031	3,200,000	2,707,250	(1,135,421)	4,771,829	-	-	-	-	-	-	-	-	3,200,000	1,571,829	4,771,829	44.92%			
2032	3,325,000	2,483,250	(1,041,475)	4,766,775	-	-	-	-	-	-	-	-	3,325,000	1,441,775	4,766,775				
2033	3,450,000	2,250,500	(943,860)	4,756,640	-	-	-	-	-	-	-	-	3,450,000	1,306,640	4,756,640				
2034	3,575,000	2,009,000	(842,575)	4,741,425	-	-	-	-	-	-	-	-	3,575,000	1,166,425	4,741,425				
2035	3,750,000	1,788,750	(737,620)	4,711,130	-	-	-	-	-	-	-	-	3,750,000	1,021,130	4,771,130				
2036	3,850,000	1,496,250	(627,527)	4,718,723	-	-	-	-	-	-	-	-	3,850,000	868,723	4,718,723	73.09%			
2037	4,025,000	1,221,938	(512,481)	4,734,457	-	-	-	-	-	-	-	-	4,025,000	709,457	4,734,457				
2038	4,200,000	935,156	(392,205)	4,742,952	-	-	-	-	-	-	-	-	4,200,000	542,952	4,742,952				
2039	4,375,000	635,906	(266,699)	4,744,207	-	-	-	-	-	-	-	-	4,375,000	369,207	4,744,207				
2040	4,550,000	324,188	(135,964)	4,738,223	-	-	-	-	-	-	-	-	4,550,000	188,223	4,738,223	100.00%			
	\$ 63,669,924	\$ 66,803,050	\$ (24,988,560)	\$ 105,484,415	\$ (5,582,273)	\$ (5,582,273)	\$ (4,095,000)	\$ 734,042	\$ 4,879,042	\$ 4,145,000	\$ 4,879,042	\$ 4,879,042	\$ 63,719,924	\$ 41,061,260	\$ 104,781,185				

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) True Interest Cost of 1.978%.

FINANCIAL OPERATIONS

INTRODUCTION

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

BASIS OF ACCOUNTING AND PRESENTATION

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

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. The reserve method is used to estimate the allowance for doubtful accounts for water and sewer service receivables.

BUDGETARY PROCESS

On or before May 15th of each year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year which begins on the following July 1. Public hearings are conducted by the Board of Commissioners to obtain citizen comments on the budget. Prior to June 30th of each year, the budget is legally enacted through passage of a budget ordinance. Annual appropriated budgets for the general, special revenue and debt service funds are adopted on a basis consistent with GAAP. Total expenditures for these funds may not exceed total appropriations during the succeeding fiscal year. All annual appropriations lapse at the end of the fiscal year. Project length financial plans are adopted for the capital projects fund. All appropriations are as originally adopted, or as amended by the Board of Commissioners.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City.

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

	<u>For the Fiscal Year Ended June 30,</u>				
<u>Fund Type</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Governmental Funds:</i>					
General	\$54,415,899	\$42,794,310	\$39,477,786	\$46,017,903	\$40,895,278
Tourism Devl. Zone	-	-	-	368,362	2,696,126
Other Governmental	<u>1,819,251</u>	<u>2,228,607</u>	<u>2,908,102</u>	<u>2,026,142</u>	<u>2,223,578</u>
TOTAL	<u>\$56,235,150</u>	<u>\$45,022,917</u>	<u>\$42,385,888</u>	<u>\$48,412,406</u>	<u>\$45,814,982</u>
<i>Proprietary Net Assets:</i>					
Water and Sewer	\$35,379,222	\$39,392,383	\$41,209,181	\$46,521,378	\$46,856,077
Events Center	-	164,592	4,102,549	3,576,055	4,736,211
Sports Facility	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,983,816</u>
TOTAL	<u>\$35,379,222</u>	<u>\$38,354,965</u>	<u>\$45,311,730</u>	<u>\$50,097,433</u>	<u>\$82,576,104</u>

Source: Comprehensive Annual Financial Reports and Auditors Reports.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Taxes	\$ 29,574,466	\$ 30,858,582	\$ 33,671,944	\$ 38,188,714	\$ 43,553,778
Licenses, Permits, Fines	289,691	202,921	300,962	251,166	286,897
Intergovernmental Rev.	6,312,937	6,472,876	4,309,857	4,318,422	4,851,336
Charges for Services	2,962,894	3,026,867	2,937,186	2,742,111	2,289,585
Fines and Costs	271,037	240,223	222,275	257,998	215,946
Interest	143,771	415,052	318,138	385,307	300,352
Other Revenue	333,185	(74,776)	295,336	326,584	92,827
Total Revenues	\$ 39,887,981	\$ 41,141,745	\$ 42,055,698	\$ 46,470,302	\$ 51,590,721
Expenditures:					
General Government	\$ 14,049,998	\$ 17,957,680	\$ 10,108,545	\$ 23,027,441	\$ 17,073,365
City Garage	593,472	612,236	634,714	672,706	769,691
Department of Tourism	10,743,964	10,903,611	11,319,309	11,537,914	11,410,068
Public Safety	9,695,412	8,129,423	9,940,065	9,389,088	9,282,821
Highways and Streets	1,547,725	1,901,595	2,000,049	2,645,548	2,351,269
Library Administration	370,172	366,764	390,700	416,586	394,687
Parks, Recreation & Events	3,016,365	3,462,475	3,881,205	3,723,606	3,701,619
Public Transportation	2,674,636	4,662,018	2,545,665	2,671,944	2,315,331
Debt Service	3,386,431	3,399,647	3,446,900	3,784,494	4,718,073
Total Expenditures	\$ 46,078,175	\$ 51,395,449	\$ 44,267,152	\$ 57,869,327	\$ 52,016,924
Excess of Revenues Over (Under) Expenditures	\$ (6,190,194)	\$ (10,253,704)	\$ (2,211,454)	\$ (11,399,025)	\$ (426,203)
Other Financing Sources					
(Uses):					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	(1,186,882)	(1,367,885)	(1,105,070)	(2,008,620)	(4,696,411)
Debt Issuance	26,528,374	-	-	19,640,000	-
Premium on Debt Issuance	-	-	-	307,762	-
Bond Proceeds	-	-	-	-	-
Total	\$ 25,341,492	\$ (1,367,885)	\$ (1,105,070)	\$ 17,939,142	\$ (4,696,411)
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 19,151,298	\$ (11,621,589)	\$ (3,316,524)	\$ 6,540,117	\$ (5,122,614)
Fund Balance July 1	\$ 35,264,601	\$ 54,415,899	\$ 42,794,310	\$ 39,477,786	\$ 46,017,903
Adjustments	-	-	-	-	(11)
Fund Balance June 30	\$ 54,415,899	\$ 42,794,310	\$ 39,477,786	\$ 46,017,903	\$ 40,895,278

Source: Comprehensive Annual Financial Report for City of Pigeon Forge, Tennessee.

CITY OF PIGEON FORGE, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - Water and Sewer Fund
For the Fiscal Year Ended June 30

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues:					
Fees & Charges for Services	\$ 9,854,989	\$ 10,810,072	\$ 11,994,094	\$ 13,638,222	\$ 14,283,095
Fines & Penalties	98,379	87,124	97,575	103,453	113,212
Other Revenues	51,538	131,160	87,807	91,487	298,573
Tap Fees	363,958	149,070	216,794	243,524	355,120
Total Operating Revenues	<u>\$ 10,368,864</u>	<u>\$ 11,177,426</u>	<u>\$ 12,396,270</u>	<u>\$ 14,076,686</u>	<u>\$ 15,050,000</u>
Operating Expenses:					
Purification	\$ 1,019,862	\$ 1,166,068	\$ 1,131,377	\$ 1,433,650	\$ 1,240,624
Transmission & Distribution	697,891	844,144	752,831	862,137	971,299
Sewer System	363,550	355,194	351,219	367,845	306,752
Sewer Treatment & Disposal	2,318,362	2,489,769	2,543,945	2,556,143	2,632,396
Customer Accounting & Collections	133,176	141,764	151,783	154,209	154,393
Administrative & General	665,761	700,837	851,149	787,035	778,574
Depreciation	1,335,866	1,339,958	1,376,313	1,411,865	2,043,894
Amortization	37,750	37,750	-	-	-
Total Operating Expenses	<u>\$ 6,572,218</u>	<u>\$ 7,075,484</u>	<u>\$ 7,158,617</u>	<u>\$ 7,572,884</u>	<u>\$ 8,127,932</u>
Operating Income	\$ 3,794,646	\$ 4,101,942	\$ 5,237,653	\$ 6,503,802	\$ 6,922,068
Nonoperating Revenues					
Expenses):					
Interest & Dividends	\$ 921,199	\$ 942,620	\$ 883,043	\$ 298,908	\$ 37,176
Gain on Sale of Capital Assets	-	-	-	-	-
TDZ Sales Tax Revenue	-	-	-	-	-
Investments Fees	(40,753)	(33,648)	(34,182)	(87,693)	(31,950)
Transfer from General Fund	-	-	-	-	-
Interest Expense	(2,694,447)	(2,820,447)	(2,172,995)	(1,284,790)	(1,751,860)
Loss on Disposal of Plant	-	-	-	-	(4,308,635)
Change in Fair Value of Invesetments	(558,889)	(794,789)	(592,741)	(49,870)	828
Change in Fair Value of Derivatives	(1,637,631)	1,248,891	(6,296)	(68,160)	(532,928)
Total Nonoperating Expenses	<u>\$ (4,010,521)</u>	<u>\$ (1,457,373)</u>	<u>\$ (1,923,171)</u>	<u>\$ (1,191,605)</u>	<u>\$ (6,587,369)</u>
Income Before Contributions & Transfers	\$ (215,875)	\$ 2,644,569	\$ 3,314,482	\$ 5,312,197	\$ 334,699
Capital Contributions	-	-	-	-	-
Transfers	772,311	1,204,000	(295,674)	-	-
Changes in Net Assets	\$ 556,436	\$ 3,848,569	\$ 3,018,808	\$ 5,312,197	\$ 334,699
Net Assets, Beginning of Year	\$ 35,084,540	\$ 35,379,222	\$ 39,227,791	\$ 41,209,181	\$ 46,521,378
Adjustments	(261,754)	-	(1,037,418)	-	-
Fund Balance June 30	<u><u>\$ 35,379,222</u></u>	<u><u>\$ 39,227,791</u></u>	<u><u>\$ 41,209,181</u></u>	<u><u>\$ 46,521,378</u></u>	<u><u>\$ 46,856,077</u></u>

Source: Comprehensive Annual Financial Report for City of Pigeon Forge, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and

equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

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

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

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

County Taxation of Property

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

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

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which

the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

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

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

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

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

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

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an

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.

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2015.¹

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 1,720,344	55%	\$ 3,941,223
Commercial and Industrial	379,591,520	40%	948,978,800
Personal Tangible Property	47,656,036	30%	158,853,453
Residential and Farm	<u>196,650,725</u>	35%	<u>786,602,900</u>
TOTAL	<u>\$625,618,625</u>		<u>\$1,898,376,376</u>

Source: 2015 Tax Aggregate Report for Tennessee and the City.

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

The estimated assessed value of property in the City for the fiscal year ending June 30, 2016 (tax year 2015) is \$625,618,625 compared to \$622,374,540 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is \$1,898,376,376 compared to \$1,884,236,921 for tax year 2014.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2012 through 2016 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2016.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2016 Amount	Pct
2012	\$607,272,012	\$0.20	\$1,211,335	\$1,097,457	90.6%	\$ 5,176	0.4%
2013	609,637,790	0.20	1,216,188	1,097,862	90.3%	11,296	0.9%
2014	622,374,540	0.20	1,241,202	1,176,887	94.8%	12,644	1.0%
2015	625,618,625	0.20	1,247,113	1,197,764	96.0%	49,349	4.0%
2016	673,551,000*	0.20	1,347,102	IN PROCESS			

* Estimated

² The tax year coincides with the calendar year, therefore, tax year 2016 is actually fiscal year 2016-2017.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City are as follows:

	<u>Taxpayer</u>	<u>Product/Service</u>	<u>Assessment</u>	<u>Levied</u>
1.	Dollywood	Theme Park	\$43,876,551	\$87,753
2.	Michael Shular	Motels	11,811,333	23,623
3.	Bell Tower Development	Motel/Rest/shops	10,045,581	20,093
4.	Water Park Land Co. LLC	Shops/Restaurant	9,423,695	18,848
5.	LeConte Village LLC	Shops/Restaurant	8,832,204	17,664
6.	Lafollette E.BvT/Welp	Belz Mall	6,605,755	13,212
7.	Music Road Hotel LLC	Motel	4,611,899	9,224
8.	Pigeon Forge Hotel Co.	Motel	4,399,024	8,790
9.	Three Pigeons LLC	Restaurant	3,410,189	6,820
10.	Titanic Tennessee LLC	Attractions	<u>3,299,310</u>	<u>6,599</u>
	TOTAL		<u>\$106,315,541</u>	<u>\$212,626</u>

Source: The City of Pigeon Forge.

LOCAL OPTION SALES TAX

Pursuant to applicable provision 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 was previously limited to one-half of the State sales tax rate of five and one-half percent (5 1/2%). The current State sales tax rate is seven (7%) percent. However, the maximum sales tax that can be levied by any county or city was capped at an additional two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three-fourths percent (2-3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

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%) 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 are 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:

City's Share of County-Wide Sales Tax Revenues

<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
\$10,551,960	\$11,015,340	\$11,672,654	\$12,884,885	\$14,757,504

This Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted to the Act to the punctual payment of principal 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 Commissioners of the City has not pledged any local option sales tax proceeds to bonded indebtedness of the City.

PENSION PLANS

The City, through its City of Pigeon Forge, Inc. Employees' Pension Plan, a single employer plan, provides pension benefits for all of its full-time employees through a defined contribution (money-purchase) plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one full year of employment and attaining age 21. The Plan requires that both the employee and the City contribute an amount equal to 5% of the employee's base salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years' continuous service. City contributions for, and interest forfeited by, employees who leave employment or cease participation before ten years of service may be used to reduce the City's current-period contribution requirement. Disability benefits are available to all active full-time employees 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 performance of duty.

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.

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded

liability is not required.

The present value of the unfunded actuarial liability associated with the County's post-employment medical benefits is not known. The County will conduct an actuarial study to determine its unfunded liability in the future. The County will begin recognizing the accrued liability, if any, on its future financial statements as required by GASB 45.

For more information, see the Notes to the General Purpose Financial Statements located herein.

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GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF PIGEON FORGE, TENNESSEE
FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION AND OTHER REPORT
For the Fiscal Year Ended June 30, 2016



CITY OF PIGEON FORGE, TENNESSEE

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CITY OF PIGEON FORGE, TENNESSEE

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INTRODUCTORY SECTION

CITY OF PIGEON FORGE, TENNESSEE
ROSTER OF ELECTED AND MANAGEMENT OFFICIALS
June 30, 2016

David W. Wear	Mayor
Kevin McClure	Vice-Mayor
Joyce Brackins	Commissioner
Jay Ogle	Commissioner
Ken Maples	Commissioner
Earlene Teaster	City Manager
Eric Brackins	Assistant City Manager
Dennis Clabo (CMFO Designee)	City Recorder
Jim Gass	City Attorney

FINANCIAL SECTION

KNOXVILLE OFFICE:
315 NORTH CEDAR BLUFF ROAD – SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660



OAK RIDGE OFFICE:
800 OAK RIDGE TURNPIKE – SUITE A404
OAK RIDGE, TENNESSEE 37830
TELEPHONE 865-769-1657

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Board of Commissioners
City of Pigeon Forge, 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, the aggregate remaining fund information and the budgetary comparison for the general fund of the City of Pigeon Forge, Tennessee (the “City”), as of and for the year ended June 30, 2016 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.



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Members of the Tennessee Society
Of Certified Public Accountants

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 of Pigeon Forge and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Funding Progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pigeon Forge's basic financial statements. The information in the other supplementary information section, including the combining and individual nonmajor fund financial statements, and the information in the introductory and other unaudited supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the other supplementary information section as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information included in the other supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory and other unaudited supplementary 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 22, 2016, on our consideration of the City of Pigeon Forge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pigeon Forge, Tennessee, (the "City"), we offer 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, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$172,410,323 (net position). Of this amount, \$65,466,859 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's current year increase in net position was \$15,097,695.
- The governmental funds had a current year deficiency of revenues and other financing sources over expenditures and other financing uses of \$2,597,414. As of the close of the June 30, 2016 fiscal year, the City's governmental funds reported combined ending fund balances of \$45,814,982. Approximately 83% of this balance was available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$37,466,781, or approximately 72% of total General Fund expenditures.
- The City had an S&P rating of AA on all of the City's outstanding debt at June 30, 2016.
- The City completed construction of a baseball facilities complex that was opened in spring 2016. Capital assets consisting of land, buildings, equipment, and infrastructure totaling \$30,385,646 were contributed from governmental activities to the new Sports Facility Fund, a proprietary fund.
- The City completed construction of a new wastewater treatment plant in October 2015 at a cost of \$45,343,148. The existing wastewater treatment facility, including demolition costs of \$635,000, was disposed of for a total loss of \$4,308,635.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This discussion and analysis will focus on the primary government, however details related to the component unit are also included. This report also contains other supplementary information in addition to the basic financial statements.

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 of the City's assets, liabilities and 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the general government fund, four special revenue funds and two capital project funds. The City's business-type activities include the water and sewer fund and the event center fund. The government-wide financials also include the City's only component unit, Industrial Development Board of the City of Pigeon Forge.

The government-wide financial statements can be found on pages 15 and 16 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. The City uses governmental 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 *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Tourism Development Zone Fund which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget in the basic financial statements section of this report. Budgetary comparison for the special revenue funds may be found in the other supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 17 and 19-20 of this report.

Proprietary Funds. The City uses enterprise funds to account for its water and sewer, events center operations, and baseball park operations. 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, LeConte Center Fund operations, and Sports Facility Fund operations. The proprietary funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28 to 30 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 31 to 54 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 56 and 57 of this report. Budgetary comparison schedules for the Special Revenue Funds are presented on pages 58 to 60 following the combining financial statements.

Other supplementary schedules are presented on pages 61 to 63, and other unaudited supplemental information is presented on pages 64 to 71.

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 \$172,410,323 at the close of the June 30, 2016 fiscal year.

By far the largest portion of the City's net position (approximately 55%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. 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 Pigeon Forge, Tennessee's Net Position as of June 30, 2016 and 2015:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets and Deferred Outflows						
Current and Other Assets	\$ 55,258,296	\$ 56,078,494	\$ 33,234,041	\$ 29,179,351	\$ 88,492,337	\$ 85,257,845
Capital Assets, Net	116,601,041	137,668,276	167,405,251	140,572,036	284,006,292	278,240,312
Deferred Outflows of Resources	2,062,090	3,314,269	74,305	83,326	2,136,395	3,397,595
Total Assets and Deferred Outflows	\$ 173,921,427	\$ 197,061,039	\$ 200,713,597	\$ 169,834,713	\$ 374,635,024	\$ 366,895,752
Liabilities, Deferred Inflows and Net Position						
Liabilities:						
Current Liabilities	\$ 7,591,736	\$ 8,539,580	\$ 3,951,939	\$ 5,077,688	\$ 11,543,675	\$ 13,617,268
Noncurrent Liabilities	75,165,915	80,067,852	111,051,134	112,058,100	186,217,049	192,125,952
Total Liabilities	82,757,651	88,607,432	115,003,073	117,135,788	197,760,724	205,743,220
Deferred Inflows of Resources	1,329,557	1,238,412	3,134,420	2,601,492	4,463,977	3,839,904
Net Position:						
Net Investment in Capital Assets	41,708,266	65,560,825	53,630,538	27,203,869	95,338,804	92,764,694
Restricted	11,604,660	6,973,774	0	0	11,604,660	6,973,774
Unrestricted	36,521,293	34,680,596	28,945,566	22,893,564	65,466,859	57,574,160
Total Net Position	89,834,219	107,215,195	82,576,104	50,097,433	172,410,323	157,312,628
Total Liabilities, Deferred Inflows and Net Position	\$ 173,921,427	\$ 197,061,039	\$ 200,713,597	\$ 169,834,713	\$ 374,635,024	\$ 366,895,752

An additional portion of the City's net position (\$11,604,660 or approximately 6.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position of \$65,466,859, 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 both the governmental and the business-type activity categories of net position as a whole.

Current and other assets in the governmental activities decreased by approximately \$820,000. This decrease is partially due to bond proceeds held in the prior year from the issuance of bond series 2015 used during the current year for construction of the new baseball park facilities.

Capital assets in governmental activities decreased by approximately \$21,067,000 primarily due to the capital contribution of \$30,385,646 to the new Sports Facility Fund from governmental activities consisting of land, buildings, equipment, and infrastructure.

Current and other assets in the business type activities increased approximately \$4,055,000 primarily due to remaining bond proceeds being drawn down to continue wastewater treatment plant construction. Capital assets in business type activities increased approximately \$26,833,000 primarily due to the completed construction of the wastewater treatment plant and capital contribution from the governmental activities to the Sports Facility Fund.

Current liabilities in the governmental activities decreased by approximately \$948,000 and current liabilities in the business type activities decreased by approximately \$1,126,000. Both were due primarily to a decrease in accounts payable. These changes are attributable to less project construction in 2016.

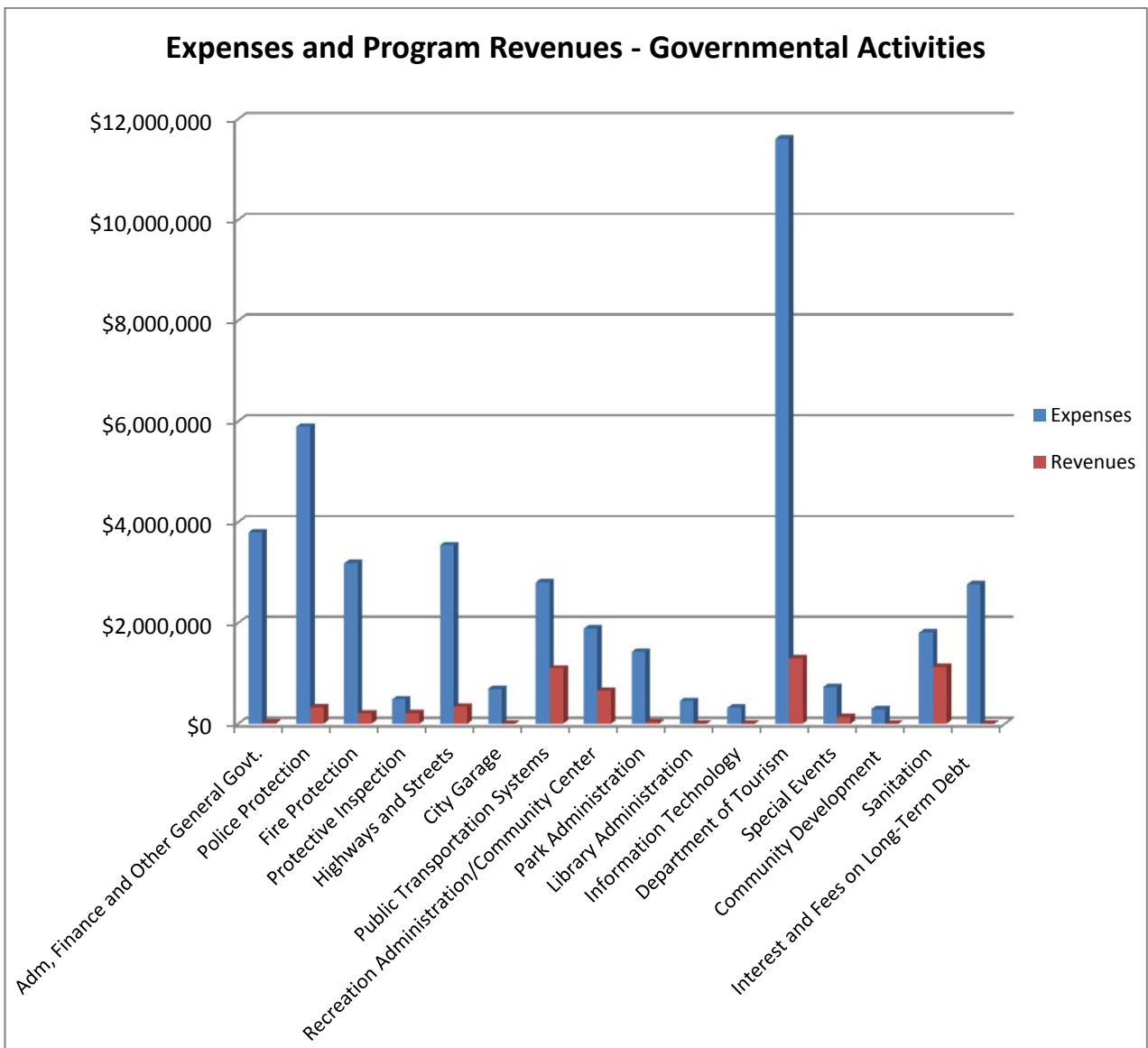
Noncurrent liabilities in the governmental activities decreased by approximately \$4,902,000 primarily due to scheduled debt service payments. Noncurrent liabilities in the business type activities decreased by approximately \$1,007,000 primarily due to scheduled debt service payments.

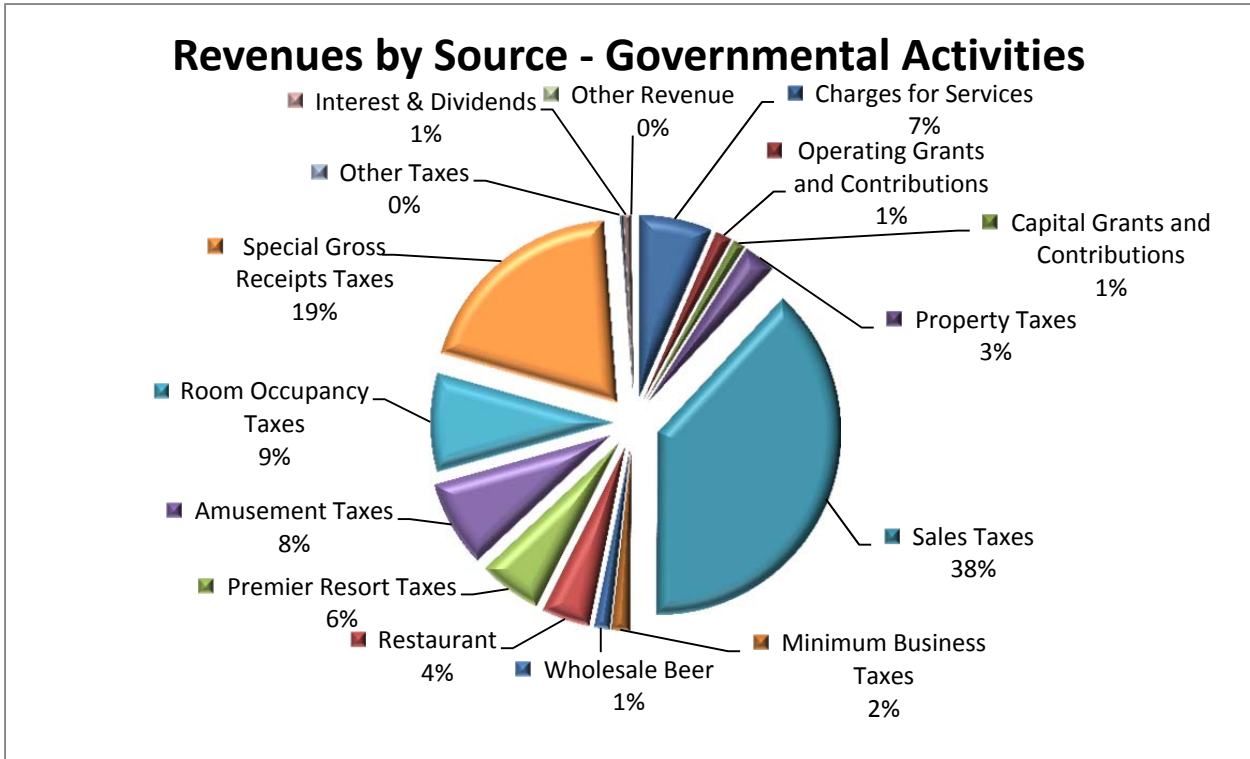
City of Pigeon Forge, Tennessee's Changes in Net Position for the Years Ended June 30, 2016 and 2015:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,041,749	\$ 4,378,875	\$ 16,936,882	\$ 14,734,423	\$ 20,978,631	\$ 19,113,298
Operating Grants and Contributions	907,831	858,196	0	0	907,831	858,196
Capital Grants and Contributions	679,826	191,876	0	0	679,826	191,876
General Revenues:						
Taxes:						
Property	1,787,815	1,793,868	0	0	1,787,815	1,793,868
Sales	23,823,275	16,978,195	0	0	23,823,275	16,978,195
Premier Resort	3,469,378	3,468,598	0	0	3,469,378	3,468,598
Minimum Business	1,013,704	906,142	0	0	1,013,704	906,142
Restaurant	2,655,114	2,278,193	0	0	2,655,114	2,278,193
Wholesale Beer	861,425	759,187	0	0	861,425	759,187
Special Gross Receipts	12,103,969	10,696,082	0	0	12,103,969	10,696,082
Amusement	4,780,092	4,206,990	0	0	4,780,092	4,206,990
Room Occupancy	5,448,156	4,518,785	0	0	5,448,156	4,518,785
Other Taxes	199,784	193,531	0	0	199,784	193,531
Other General Revenues	534,915	842,541	37,176	298,908	572,091	1,141,449
Total Revenues	62,307,033	52,071,059	16,974,058	15,033,331	79,281,091	67,104,390
Expenses:						
Administration, Finance and Other						
General Government	4,201,657	3,793,998	0	0	4,201,657	3,793,998
Police Protection	5,909,360	5,894,120	0	0	5,909,360	5,894,120
Fire Protection	3,345,698	3,186,687	0	0	3,345,698	3,186,687
Protective Inspection	495,061	484,344	0	0	495,061	484,344
Highways and Streets	3,420,008	3,543,093	0	0	3,420,008	3,543,093
City Garage	738,677	691,335	0	0	738,677	691,335
Public Transportation Systems	2,795,151	2,809,211	0	0	2,795,151	2,809,211
Recreation Administration /						
Community Center	1,790,944	1,889,468	0	0	1,790,944	1,889,468
Park Administration	1,467,747	1,424,846	0	0	1,467,747	1,424,846
Library Administration	428,182	450,476	0	0	428,182	450,476
Information Technology	253,954	318,064	0	0	253,954	318,064
Department of Tourism	11,460,219	11,612,316	0	0	11,460,219	11,612,316
Special Events	676,357	730,572	0	0	676,357	730,572
Community Development	307,652	285,841	0	0	307,652	285,841
Sanitation	1,949,688	1,808,389	0	0	1,949,688	1,808,389
Interest and Fees on Long-Term Debt	2,548,809	2,764,931	0	0	2,548,809	2,764,931
Water and Sewer	0	0	9,911,743	8,945,367	9,911,743	8,945,367
LeConte Center	0	0	5,046,512	5,038,641	5,046,512	5,038,641
Sports Facility	0	0	1,560,333	0	1,560,333	0
Loss on Disposition of Capital Assets	0	319,292	4,308,635	0	4,308,635	319,292
Net (Gain) Losses on Investment Portfolio	137,080	336,901	(828)	49,870	136,252	386,771
(Increase) Decrease in						
Fair Value of Derivatives	0	0	532,928	68,160	532,928	68,160
Total Expenses	41,926,244	42,343,884	21,359,323	14,102,038	63,285,567	56,445,922
Capital Contributions, Net	(31,518,219)	(1,171,969)	30,620,390	54,566	(897,829)	(1,117,403)
Transfers	(6,243,546)	(3,799,844)	6,243,546	3,799,844	0	0
Increase (Decrease) in Net Position	(17,380,976)	4,755,362	32,478,671	4,785,703	15,097,695	9,541,065
Net Position - Beginning of Year	107,215,195	102,459,833	50,097,433	45,311,730	157,312,628	147,771,563
Net Position - End of Year	\$ <u>89,834,219</u>	\$ <u>107,215,195</u>	\$ <u>82,576,104</u>	\$ <u>50,097,433</u>	\$ <u>172,410,323</u>	\$ <u>157,312,628</u>

Governmental Activities - Governmental activities decreased the City's net position in the current year by \$17,380,976 compared to an increase of \$4,755,362 in 2015. Key elements of this change are as follows:

- Sales tax revenue increased approximately \$6,845,000, restaurant tax increased approximately \$377,000, gross receipts tax revenue increased approximately \$1,408,000, amusement tax revenue increased approximately \$573,000, and room occupancy tax revenue increased approximately \$930,000 primarily due to growth in businesses and tourist attractions.
- Capital grants and contributions increased approximately \$488,000 primarily due to additional grant funding for capital needs.
- Department of Tourism charges for services decreased approximately \$418,000 primarily due to a shift in level of services of contributions for online marketing.
- Administration, Finance and Other General Government increased approximately 408,000 primarily due to increases in general services and a donation of \$150,000 to Pigeon Forge schools.
- Sanitation expense increased approximately \$142,000 primarily due to increased landfill services.
- Interest and Fees on Long-Term Debt decreased approximately \$216,000 due to changes in variable rate debt and principal reductions.
- Noncash capital contributions, net increased \$30,326,250 due primarily to noncash contributions consisting of capital assets contributed from the governmental activities to the Sports Facility Fund of \$30,385,646.
- Interest and dividends revenue, which is included in other general revenues, decreased approximately \$301,000 due to bond proceeds previously being held in investment accounts being used to complete the construction of the sports facility and other projects.





As noted in the graphs charting expenses and program revenues and revenues by source, the City's largest expense is the promotion of the tourism industry. Accordingly, a large majority of the revenues the City collects is generated by taxes that are either directly or indirectly related to the tourism industry.

Business-type Activities. The business-type activities (Water and Sewer Fund, LeConte Center Fund, Sports Facility Fund) increased the City's net position by \$32,478,671 in the current year, compared to an increase of \$4,785,703 in the prior year. Key elements of the current year increase in net position related to business-type activities are as follows:

- Charges for services for the business-type activities increased by approximately \$2,202,000 primarily as a result of growth in water and sewer services and operating revenues of approximately \$1,159,000 from the operations of the new Sports Facility Fund.
- Total operating expenses for the business-type activities increased by approximately \$2,133,000 primarily as a result of \$1,560,000 of expenses associated with the new operations of the Sports Facility Fund and an additional increase of approximately \$632,000 in depreciation in the Water and Sewer Fund.
- Nonoperating expenses increased approximately \$5,386,000. This increase includes approximately \$4,309,000 of loss on disposal of the retired wastewater treatment plant and an increase of approximately \$467,000 in interest expense. Interest expense increased due to the discontinuance of interest capitalization when the new wastewater treatment plant was placed in service.
- The change in fair value of the interest rate swap (derivative) is recorded as an increase or decrease in net position. For 2016, the change was a decrease in fair value of \$532,928 as compared to a decrease in fair value of \$68,160 in 2015.
- Interest and dividends revenue, which is included in other general revenues, decreased approximately \$262,000 due to bond proceeds previously being held in investment accounts being used to complete the construction of the new wastewater treatment plant.
- Capital contributions from the governmental activities to the Sports Facility Fund account for approximately \$30,386,000 in the current year increase in proprietary fund net position. This capital contribution represents the land, buildings, equipment, and infrastructure that were contributed from the governmental activities to the Sports Facility Fund at completion of the new baseball complex.
- Capital contributions from the Board to the LeConte Center Fund account for approximately \$235,000 in the current year increase in proprietary fund net position. This capital contribution consists of projects completed by the Board for use at the LeConte Center.

Discretely Presented Component Unit - Industrial Development Board

	<u>Component Unit</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$ 1,001,236	\$ 2,234,141
Net Investment in Capital Lease	48,811,536	49,022,029
Capital Assets, Net	0	1,500
Total Assets	<u>\$ 49,812,772</u>	<u>\$ 51,257,670</u>
Liabilities:		
Current Liabilities	\$ 783,138	\$ 756,163
Noncurrent Liabilities	49,879,721	50,315,849
Total Liabilities	<u>50,662,859</u>	<u>51,072,012</u>
Deferred Inflows of Resources	<u>1,000,000</u>	<u>2,000,000</u>
Net position:		
Restricted	120,331	232,890
Unrestricted	(1,970,418)	(2,047,232)
Total Net Position (Deficit)	<u>(1,850,087)</u>	<u>(1,814,342)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 49,812,772</u>	<u>\$ 51,257,670</u>

	<u>Component Unit</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Interest From Capital Lease	\$ 2,303,451	\$ 2,312,937
Interest and Dividends	299	151
	<u>2,303,750</u>	<u>2,313,088</u>
Expenses:		
Interest Expense, Net	2,217,324	2,226,810
General and Administrative	20,000	0
Developer Contributions	1,000,000	1,000,000
	<u>3,237,324</u>	<u>3,226,810</u>
Increase (Decrease) in Net Position before Capital Contribution	(933,574)	(913,722)
Capital Contribution - to City of Pigeon Forge	(234,744)	(54,566)
Capital Contribution - from City of Pigeon Forge	1,132,573	1,171,969
Increase (Decrease) in Net Position	(35,745)	203,681
Net Position - Beginning of Year (Deficit)	<u>(1,814,342)</u>	<u>(2,018,023)</u>
Net Position - End of Year (Deficit)	<u>\$ (1,850,087)</u>	<u>\$ (1,814,342)</u>

As the City considered the future development of the new events center, the decision was made to use its own Industrial Development Board as the vehicle to accomplish the plan. The Board, which was originally formed in 1980 but had been inactive for many years, was reinstated with the State's approval in 2011. In 2011, the Board issued bonds in the amount of \$49,445,000 to fund the development of the new events center and a capital lease agreement was entered into where the Board agreed to lease all property of the events center to the City. Upon completion of construction of the LeConte Center in September 2013, all leased property was transferred and recorded as an asset of the City in the events center fund with a corresponding lease liability to the Board and with a lease receivable (net investment in capital lease) recorded on the Board. The actual bond liability remains on the books of the Board (included above in noncurrent liabilities). The Board is a separate legal entity from the City and therefore has been reported as a discretely presented component unit within these financial statements.

Lease revenues in 2016 and 2015 for the Board consist of interest revenue recognized from the LeConte Center lease agreement. Current and prior year interest expense represents interest expensed for the related bond issue.

During 2016, the City granted a noncash capital contribution to the Board in the amount of \$112,573. This contribution resulted from a reduction in the balance due to the City of Pigeon Forge recorded in the statement of net position. The Board granted a noncash capital contribution to the City of Pigeon Forge representing the Board's purchase of additional machinery and equipment for use at the LeConte Center. This capital contribution made from the Board to the City's LeConte Center Fund was recorded in the amount of \$234,744.

In addition to the noncash contributions previously noted, the City and Board have entered into a contribution agreement to provide funding to the Board for economic development. The City has funded \$1,000,000 in the current year as the second of three installments. These contributions are recorded in the City's statement of net position as capital contributions payable and deferred outflows of resources. Accordingly, the Board has recorded in the statement of net position capital contribution receivable and deferred inflows of resources. Capital contributions and developer contribution expense has been recorded in the statement of revenues, expenses and changes in net position of the Board.

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45,814,982, after a current year deficiency of revenues and other financing sources over expenditures and other financing uses of \$2,597,414. Approximately 83% of this ending fund balance, or \$37,848,728, constitutes unrestricted fund balance, which is available for spending at the government's discretion. The City has committed approximately \$70,889 of the unrestricted fund balance for future capital outlay and assigned approximately \$2,605,000 for various purposes. The General Fund restricted fund balance includes approximately \$2,910,000, of unspent debt proceeds issued to fund various future capital outlay expenditures. The remainder of fund balance is nonspendable or restricted primarily for the purposes of the special revenue funds or the funds are invested in material inventories in the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$37,466,781, while total General Fund balance reached \$40,895,278. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The unrestricted General Fund balance represents approximately 72% of total General Fund expenditures, while the total General Fund balance represents approximately 79% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$5,122,614 during the current fiscal year. General Fund revenues in 2016 increased over 2015 by approximately \$5,120,000 (see discussion on revenue increases noted above) during the fiscal year and General Fund expenditures decreased by approximately \$5,852,000. The following expense increases/decreases were noteworthy:

- City Parking increased approximately \$1,008,000 primary due to paving projects of municipal parking lots.
- Other General Government decreased approximately \$6,999,000 primarily due to a reduction in capital outlay. The Sports Facility project and Old Mill underground utility project incurred higher construction costs in the prior year and were completed in the current year.
- Legislative increased approximately \$159,000 primarily due to a donation to Pigeon Forge schools.
- Fire Protection and Control increased by approximately \$210,000 primarily due to increases in personnel costs.
- Highways and Streets decreased by approximately \$294,000 primarily due to less paving work done in the current year.
- Public Transportation decreased by approximately \$357,000 primarily due to a reduction in capital outlay. The City contracted design and architectural engineering for the trolley building in the prior year.
- Police decreased by approximately \$322,000 primarily due to a reduction in capital outlay. The City purchased several vehicles in this department in the prior year.

- Interest and Fees on Long-Term Debt decreased approximately \$216,000 due to principal reductions.

Intergovernmental sales tax in the tourism development zone fund increased approximately \$2,700,000. The amount varies from year to year based upon economic activity and growth in business in the development zone.

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

Unrestricted net position of the Proprietary Funds at the end of the year amounted to \$28,945,566. Other factors concerning the financial activity of this fund have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

The City made certain supplementary budgetary appropriations during the year. Differences between the original budget and the final amended budget amounted to net *increases* of budgeted expenditures and transfers totaling \$15,025,081.

The major adjustments are as follows:

- \$11,643,413 in increases allocated to Other General Government primarily due to construction costs on Jake Thomas Road Extension, Sports Facility, McGill Street Connector, contribution to Industrial Development Board for economic impact, greenway project, and Old Mill underground utilities that were incurred.
- \$608,000 in increases allocated to City Parking Lot, primarily for paving one of the municipal parking lots.
- \$150,000 in increases allocated to Legislative, primarily for the contribution to Sevier County for a turf field at the Pigeon Forge High School.
- \$2,563,368 in increases allocated to Transfers to Other Funds primarily for the Sports Facility Fund and the LeConte Center Fund.

These *increases* were originally anticipated to be funded by reducing fund balance in the General Fund.

Capital Asset and Debt Administration

Capital Assets. The investment in capital assets for the City's governmental and business-type activities as of June 30, 2016, amounts to \$284,006,292 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, vehicles, park facilities, roads, highways, bridges and water/sewer infrastructure.

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

- The City purchased approximately \$351,000 of new vehicles for various departments.
- The City purchased various pieces of new equipment for approximately \$1,598,000 during the year.
- The City completed construction of the Sports Facility project in the amount of approximately \$30,841,319. The majority of the costs of this project were initially recorded in the governmental activities. Upon completion of the project, the capital assets were contributed from the governmental activities to the new Sports Facility Fund.
- The City completed the wastewater treatment plant project in the amount of approximately \$45,343,000. The existing plant was disposed with a net book value of \$3,673,635, plus demolition costs of \$635,000 for a total loss of \$4,308,635.
- The City has several capital projects in the engineering and construction phases. The construction in progress net increase in the current year primarily includes additions to the following projects: Mill Creek Lift Station - \$318,000, Jake Thomas Water Tower - \$818,000, McGill Street Connector - \$2,548,000, and Jake Thomas Road Extension - \$641,000.

Capital assets, net of depreciation, as of June 30, 2016 and 2015 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 40,096,541	\$ 45,112,844	\$ 29,721,159	\$ 3,683,938	\$ 69,817,700	\$ 48,796,782
Construction in Progress	15,121,375	30,425,129	4,153,234	47,042,599	19,274,609	77,467,728
Buildings	19,377,369	19,377,369	68,316,072	52,044,138	87,693,441	71,421,507
Improvements Other Than Buildings	11,168,030	11,077,157	33,583,297	13,447,164	44,751,327	24,524,321
Machinery and Equipment	5,704,508	5,441,166	3,742,731	2,407,928	9,447,239	7,849,094
Vehicles	14,478,235	14,158,191	1,038,720	1,007,346	15,516,955	15,165,537
Infrastructure	55,484,830	53,752,628	54,208,579	51,949,521	109,693,409	105,702,149
Accumulated Depreciation	(44,829,847)	(41,676,208)	(27,358,541)	(31,010,598)	(72,188,388)	(72,686,806)
	<u>\$ 116,601,041</u>	<u>\$ 137,668,276</u>	<u>\$ 167,405,251</u>	<u>\$ 140,572,036</u>	<u>\$ 284,006,292</u>	<u>\$ 278,240,312</u>

Additional information on the City's capital assets can be found in Note 8 on pages 41 through 43 of this report.

	Component Unit	
	2016	2015
Land	\$ 0	\$ 0
Construction in Progress - Event Center	0	1,500
Accumulated Depreciation	0	0
	<u>\$ 0</u>	<u>\$ 1,500</u>

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$190,920,004. All of the debt is backed by the full faith and credit of the City. Additionally, the City has pledged certain revenues to retire some its long-term debt issuances. The City's long-term debt as of June 30, 2016 and 2015 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 59,705,662	\$ 63,596,721	\$ 51,764,317	\$ 52,148,258	\$ 111,469,979	\$ 115,744,979
Loans Payable to the Public						
Building Authority of Sevier County	17,220,000	17,235,000	11,845,000	12,230,000	29,065,000	29,465,000
Capital Lease	0	0	48,500,000	48,830,000	48,500,000	48,830,000
	<u>76,925,662</u>	<u>80,831,721</u>	<u>112,109,317</u>	<u>113,208,258</u>	<u>189,034,979</u>	<u>194,039,979</u>
Plus (Less) Premiums on Issuance	1,939,053	2,142,190	(54,028)	(51,216)	1,885,025	2,090,974
Total	<u>\$ 78,864,715</u>	<u>\$ 82,973,911</u>	<u>\$ 112,055,289</u>	<u>\$ 113,157,042</u>	<u>\$ 190,920,004</u>	<u>\$ 196,130,953</u>

The City's total debt decreased by approximately \$5,211,000 (2.7%) during the current fiscal year. This change is primarily due to scheduled debt service payments.

	Component Unit	
	2016	2015
Public Facility Bonds Series 2011	\$ 48,500,000	\$ 48,830,000
Plus Premiums on Issuance	1,729,721	1,815,849
Total	<u>\$ 50,229,721</u>	<u>\$ 50,645,849</u>

In August 2011, the Industrial Development Board issued bond series 2011 in the amount of \$49,445,000 to fund the development of the events center. The liability for these bonds remains on the books of the Board, but upon the recording of the capital lease with the City in September 2013, a corresponding lease receivable (net investment in capital lease) has been recorded on the Board.

Portions of the long-term debt consist of loans payable to the Public Building Authority of Sevier County (Authority). The loan agreements provide for the Authority to issue variable rate bonds and loan the proceeds to the City on an as needed basis for various capital projects. Under certain of the loan agreements, the Authority, at the request of the City, entered into interest rate swap agreements in order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt. The intention of the swaps was to effectively change the City's variable interest rates on the bonds to synthetic fixed rates.

Additional information on the City's long-term debt can be found in Note 10 on pages 43 through 47 of this report.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of deferred charges resulting from debt refundings and deferred capital contributions. Deferred inflows of resources consist of property taxes and the negative fair value of the derivative instrument. Deferred outflows of resources decreased approximately \$1,261,000 due to \$1,000,000 in deferred capital contributions due to the Board for economic development in the Pigeon Forge community being paid. Deferred inflows increased approximately \$624,000 primary due the decrease in fair value of the interest rate swap of approximately \$533,000.

The Board's deferred inflows of resources consist of capital contributions receivable from the City for development.

Future Outlook and Next Year's Budget

The General Fund revenue estimates for next year (fiscal year ended June 30, 2016) were projected with an increase of 14.4%. During the current fiscal year, unrestricted fund balance in the General Fund decreased by \$2,786,723 to become \$37,466,781 at year-end.

The Water and Sewer Fund budget for next year was prepared using a projected operating revenue increase of approximately 4.3%.

In April of 2006, the State of Tennessee approved the City's application for a Tourist Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. The City plans to invest up to \$179 million to develop new Qualified Public Use Facilities within the TDZ. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the state of Tennessee, include a civic events center, central trolley station, amphitheater and festival center. Other planned TDZ projects include a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, the LeConte Center was completed in September 2013, and construction was completed on a new wastewater treatment plant in October 2015. The estimated cost of the improvements expected to be constructed, installed or improved within and for the TDZ are to be financed through the sale of bonds, with such bonds to be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements, pursuant to the authority set out in the Tennessee Convention Center and Tourism Development Financing Act of 1998. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately \$113 million through June 30, 2016 for the projects listed above and expects to issue the remaining debt and complete these projects over the next several years.

As discussed in Note 21 to the financial statements, it is not possible to estimate at this time what impact the wildfire which swept through Sevier County in November 2016 will have on the 2017 fiscal year budget.

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 Office of City Manager, P.O. Box 1350, City of Pigeon Forge, Tennessee, 37868.

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Industrial Development Board
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 17,223,477	\$ 18,883,783	\$ 36,107,260	\$ 1,236
Certificates of Deposit	9,868,269	1,049,095	10,917,364	0
Investments	5,226,063	3,636,687	8,862,750	0
Receivables, Net	7,929,126	1,423,284	9,352,410	0
Sponsorships Receivable	0	277,259	277,259	0
Net Investment in Capital Lease - Current Portion	0	0	0	350,000
Due from Component Unit	121,567	0	121,567	0
Capital Contributions Receivable	0	0	0	1,000,000
Inventories	374,927	402,523	777,450	0
Prepaid Items	0	71,248	71,248	0
Total Current Assets	40,743,429	25,743,879	66,487,308	1,351,236
NONCURRENT ASSETS:				
Restricted Assets:				
Cash and Cash Equivalents	5,340,075	1,340,690	6,680,765	0
Investments	2,762,624	0	2,762,624	120,331
Receivable - TDZ and Streets	6,412,168	0	6,412,168	0
Net Investment in Capital Lease	0	0	0	48,341,205
Sponsorships Receivable	0	148,950	148,950	0
Investment in Joint Venture	0	6,000,522	6,000,522	0
Capital Assets:				
Nondepreciable	55,217,916	33,874,393	89,092,309	0
Depreciable, Net of Accumulated Depreciation	61,383,125	133,530,858	194,913,983	0
Total Noncurrent Assets	131,115,908	174,895,413	306,011,321	48,461,536
Total Assets	171,859,337	200,639,292	372,498,629	49,812,772
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Capital Contributions	1,000,000	0	1,000,000	0
Deferred Charge on Refunding	1,062,090	74,305	1,136,395	0
Total Deferred Outflows of Resources	2,062,090	74,305	2,136,395	0
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 173,921,427	\$ 200,713,597	\$ 374,635,024	\$ 49,812,772
LIABILITIES				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 1,761,718	\$ 1,047,110	\$ 2,808,828	\$ 120,373
Interfund Balances, Net	(112,378)	112,378	0	0
Due to Other Local Government	73,358	0	73,358	0
Due to Primary Government	0	0	0	121,567
Capital Contribution Payable	1,000,000	0	1,000,000	0
Accrued Interest	216,134	383,019	599,153	191,198
Taxes Payable	7,321	105,465	112,786	0
Unearned Revenue	0	1,085,570	1,085,570	0
Compensated Absences	728,687	65,293	793,980	0
Long-Term Debt - Current Portion	3,916,896	1,153,104	5,070,000	350,000
Total Current Liabilities	7,591,736	3,951,939	11,543,675	783,138
NONCURRENT LIABILITIES:				
Other Postemployment Benefits	218,096	0	218,096	0
Unearned Revenue	0	148,950	148,950	0
Long-Term Debt	74,947,819	110,902,184	185,850,003	49,879,721
Total Noncurrent Liabilities	75,165,915	111,051,134	186,217,049	49,879,721
Total Liabilities	82,757,651	115,003,073	197,760,724	50,662,859
DEFERRED INFLOWS OF RESOURCES:				
Deferred Current Property Taxes	1,329,557	0	1,329,557	0
Derivative Instrument - Interest Rate Swap	0	3,134,420	3,134,420	0
Deferred Capital Contributions	0	0	0	1,000,000
Total Deferred Inflows of Resources	1,329,557	3,134,420	4,463,977	1,000,000
NET POSITION:				
Net Investment in Capital Assets	41,708,266	53,630,538	95,338,804	0
Restricted	11,604,660	0	11,604,660	120,331
Unrestricted	36,521,293	28,945,566	65,466,859	(1,970,418)
Total Net Position (Deficit)	89,834,219	82,576,104	172,410,323	(1,850,087)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 173,921,427	\$ 200,713,597	\$ 374,635,024	\$ 49,812,772

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

CITY OF PIGEON FORGE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS AND PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
Administration, Finance and Other	\$ 4,201,657	\$ 31,840	\$ 0	\$ 0	\$ (4,169,817)	\$ 0	\$ (4,169,817)	\$ 0
General Government	5,909,360	299,321	2,000	4,478	(5,603,561)	0	(5,603,561)	0
Police Protection	3,345,698	49,750	100	124,955	(3,170,893)	0	(3,170,893)	0
Fire Protection	495,061	245,577	0	0	(249,484)	0	(249,484)	0
Protective Inspection	3,420,008	89,527	257,069	0	(3,073,412)	0	(3,073,412)	0
Highways and Streets	738,677	0	0	0	(738,677)	0	(738,677)	0
City Garage	2,795,151	458,269	606,100	550,393	(1,180,389)	0	(1,180,389)	0
Public Transportation Systems	1,790,944	633,695	0	0	(1,157,249)	0	(1,157,249)	0
Recreation Administration/Community Center	1,467,747	0	40,000	0	(1,427,747)	0	(1,427,747)	0
Park Administration	428,182	1,427	2,562	0	(424,193)	0	(424,193)	0
Library Administration	253,954	0	0	0	(253,954)	0	(253,954)	0
Information Technology	11,460,219	878,264	0	0	(10,581,955)	0	(10,581,955)	0
Department of Tourism	676,357	127,665	0	0	(548,692)	0	(548,692)	0
Special Events	307,652	0	0	0	(307,652)	0	(307,652)	0
Community Development	1,949,688	1,226,414	0	0	(723,274)	0	(723,274)	0
Sanitation	2,548,809	0	0	0	(2,548,809)	0	(2,548,809)	0
Interest and Fees on Long-Term Debt								
Total Governmental Activities	41,789,164	4,041,749	907,831	679,826	(36,159,758)	0	(36,159,758)	0
Business-Type Activities:								
Water and Sewer	9,911,743	15,050,000	0	0	0	5,138,257	5,138,257	0
LeConte Center	5,046,512	727,966	0	0	0	(4,318,546)	(4,318,546)	0
Sports Facility	1,560,333	1,158,916	0	0	0	(401,417)	(401,417)	0
Total Business-Type Activities	16,518,588	16,936,882	0	0	0	418,294	418,294	0
Total Primary Government	58,307,752	20,978,631	907,831	679,826	(36,159,758)	418,294	(35,741,464)	0
Component Unit:								
Industrial Development Board	\$ 3,237,324	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (3,237,324)
General Revenues								
Taxes								
Property		1,787,815			1,787,815	0	1,787,815	0
Sales		23,823,275			23,823,275	0	23,823,275	0
Premier Resort		3,469,378			3,469,378	0	3,469,378	0
Minimum Business		1,013,704			1,013,704	0	1,013,704	0
Restaurant		2,655,114			2,655,114	0	2,655,114	0
Wholesale Beer		861,425			861,425	0	861,425	0
Special Gross Receipts		12,103,969			12,103,969	0	12,103,969	0
Amusement		4,780,092			4,780,092	0	4,780,092	0
Room Occupancy		5,448,156			5,448,156	0	5,448,156	0
Other		199,784			199,784	0	199,784	0
Interest From Capital Lease		0			0	0	0	2,303,451
Licenses and Permits		41,320			41,320	0	41,320	0
Interest and Dividends		391,835			391,835	37,176	429,011	299
Rents and Royalties		101,760			101,760	0	101,760	0
Loss on Disposal of Capital Assets		0			0	(4,308,635)	(4,308,635)	0
Net Loss on Investment Portfolio		(137,080)			(137,080)	828	(136,252)	0
Change in Fair Value of Derivatives - Interest Rate Swap		0			0	(532,928)	(532,928)	0
Capital Contributions		(1,020,000)			(1,020,000)	30,620,390	(1,020,000)	1,020,000
Noncash Capital Contributions, Net		(30,498,219)			(30,498,219)	0	(30,498,219)	(122,171)
Interfund Transfers, Net		(6,243,546)			(6,243,546)	6,243,546	0	0
Total General Revenues and Other Items		18,778,782			18,778,782	32,060,377	50,839,159	3,201,579
Change in Net Position								
Net Position (Deficit), Beginning of Year								(35,745)
Net Position (Deficit), End of Year								(1,814,342)
		\$ 89,834,219			\$ 89,834,219	\$ 82,576,104	\$ 172,410,323	\$ (1,850,087)

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

CITY OF PIGEON FORGE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 16,841,529	\$ 0	\$ 381,947	\$ 17,223,476
Certificates of Deposit	9,868,269	0	0	9,868,269
Investments	5,226,063	0	0	5,226,063
Receivables, Net	7,929,126	0	0	7,929,126
Due from Other Funds	5,410	2,696,126	110,683	2,812,219
Due from Component Unit	121,567	0	0	121,567
Inventories	374,927	0	0	374,927
Restricted Assets				
Cash	3,536,975	0	1,803,101	5,340,076
Investments	2,762,624	0	0	2,762,624
Receivables	0	0	46,754	46,754
TOTAL ASSETS	\$ 46,666,490	\$ 2,696,126	\$ 2,342,485	\$ 51,705,101
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 1,646,528	\$ 0	\$ 115,192	\$ 1,761,720
Due to Other Funds	2,696,126	0	3,715	2,699,841
Due to Other Governments	73,358	0	0	73,358
Taxes Payable	7,321	0	0	7,321
Total Liabilities	4,423,333	0	118,907	4,542,240
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	1,347,879	0	0	1,347,879
FUND BALANCES:				
Non-Spendable:				
General Fund				
Inventory On Hand	374,927	0	0	374,927
Restricted:				
General Fund				
General Fund	3,053,570	0	0	3,053,570
Special Revenue Funds:				
State Street Aid Fund	0	0	646,235	646,235
Solid Waste Fund	0	0	798,171	798,171
Drug Fund	0	0	397,225	397,225
TDZ Fund	0	2,696,126	0	2,696,126
Unrestricted:				
Committed				
Committed	70,889	0	0	70,889
Assigned				
Assigned	2,222,938	0	381,947	2,604,885
Unassigned				
Unassigned	35,172,954	0	0	35,172,954
Total Fund Balances	40,895,278	2,696,126	2,223,578	45,814,982
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 46,666,490	\$ 2,696,126	\$ 2,342,485	\$ 51,705,101

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

CITY OF PIGEON FORGE, TENNESSEE

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

June 30, 2016

Ending Total Fund Balances - Governmental Funds - Balance Sheet (page 17)	\$ 45,814,982
Amounts reported for governmental activities in the statement of net positions are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	116,601,041
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,383,738
Deferred capital contributions are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	1,000,000
Capital contributions payable are not due and payable in the current period and therefore are not reported in the funds.	(1,000,000)
Accrued compensated absences and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(946,783)
Long-term debt, net of unamortized bond issue costs, unamortized premiums and unamortized deferred refunding losses, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(78,018,759)</u>
Net Position of Governmental Activities - Statement of Net Position (page 15)	\$ <u><u>89,834,219</u></u>

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

CITY OF PIGEON FORGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Tax	\$ 1,278,784	\$ 0	\$ 0	\$ 1,278,784
Payments in Lieu of Tax	509,031	0	0	509,031
Local Sales Tax	14,757,504	0	0	14,757,504
Wholesale Beer Tax	861,425	0	0	861,425
Minimum Business Tax	1,013,704	0	0	1,013,704
Amusement Tax	4,780,092	0	0	4,780,092
Gross Receipts Tax	12,103,969	0	0	12,103,969
Restaurant Tax	2,655,114	0	0	2,655,114
Cable Television Franchise Tax	135,096	0	0	135,096
Room Occupancy Tax	5,448,156	0	0	5,448,156
Other Taxes	10,903	0	0	10,903
Total Taxes	<u>43,553,778</u>	<u>0</u>	<u>0</u>	<u>43,553,778</u>
Intergovernmental:				
Grants	1,330,488	0	0	1,330,488
Sales Tax	0	6,365,414	0	6,365,414
State Premier Resort Tax	3,469,378	0	0	3,469,378
State Gasoline and Motor Fuel Tax	0	0	257,085	257,085
Other	51,470	0	0	51,470
Total Intergovernmental	<u>4,851,336</u>	<u>6,365,414</u>	<u>257,085</u>	<u>11,473,835</u>
Licenses and Permits	286,897	0	0	286,897
Fees and Charges for Services	2,289,585	0	1,217,822	3,507,407
Fines and Penalties	215,946	0	55,303	271,249
Interest and Dividends	300,352	0	1,335	301,687
Net Loss on Investment Portfolio	(137,080)	0	0	(137,080)
Rents and Royalties	101,760	0	0	101,760
Other Revenues	128,147	0	0	128,147
Total Revenues	<u>51,590,721</u>	<u>6,365,414</u>	<u>1,531,545</u>	<u>59,487,680</u>
EXPENDITURES:				
Current:				
Administration, Finance and Other General Government:				
City Court	21,687	0	0	21,687
City Hall Building Operations	85,705	0	0	85,705
City Parking	1,007,759	0	0	1,007,759
Financial Administration	1,070,369	0	0	1,070,369
Legislative	637,648	0	0	637,648
Other General Government	13,232,414	0	0	13,232,414
City Maintenance	759,029	0	0	759,029
City Garage	769,691	0	0	769,691
Department of Tourism	11,410,068	0	0	11,410,068
Drug Prevention	0	0	26,099	26,099
Fire Protection and Control	3,208,868	0	0	3,208,868
Highways and Streets	2,351,269	0	93,725	2,444,994
Information Technology	258,754	0	0	258,754
Library Administration	394,687	0	0	394,687
Park Administration	1,202,778	0	0	1,202,778
Police	5,582,928	0	0	5,582,928
Protective Inspection	491,025	0	0	491,025
Public Transportation Systems	2,315,331	0	0	2,315,331
Recreation Administration/Community Center	1,563,338	0	0	1,563,338
Solid Waste/Sanitation	0	0	1,799,301	1,799,301
Special Events	637,614	0	0	637,614
Community Development	297,889	0	0	297,889
Debt Service:			0	0
Principal Retirement	3,155,000	0	225,000	3,380,000
Interest	1,519,985	1,403,375	0	2,923,360
Fees	43,088	0	8,438	51,526
Capital Projects - Capital Outlay	0	0	268,686	268,686
Total Expenditures	<u>52,016,924</u>	<u>1,403,375</u>	<u>2,421,249</u>	<u>55,841,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(426,203)</u>	<u>4,962,039</u>	<u>(889,704)</u>	<u>3,646,132</u>

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

CITY OF PIGEON FORGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):				
Other Financing Sources:				
Transfers from Other Funds	0	0	1,087,140	1,087,140
Other Financing Uses:				
Transfers to Other Funds	<u>(4,696,411)</u>	<u>(2,634,275)</u>	<u>0</u>	<u>(7,330,686)</u>
Total Other Financing Sources (Uses)	<u>(4,696,411)</u>	<u>(2,634,275)</u>	<u>1,087,140</u>	<u>(6,243,546)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,122,614)	2,327,764	197,436	(2,597,414)
FUND BALANCES, BEGINNING OF YEAR	<u>46,017,892</u>	<u>368,362</u>	<u>2,026,142</u>	<u>48,412,396</u>
FUND BALANCES, END OF YEAR	<u>\$ 40,895,278</u>	<u>\$ 2,696,126</u>	<u>\$ 2,223,578</u>	<u>\$ 45,814,982</u>

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

CITY OF PIGEON FORGE, TENNESSEE

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

For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds - statement of revenues, expenditures, and changes in fund balances (page 20)	\$ (2,597,414)
Amounts reported for governmental activities in the statement of activities are different because:	
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 (\$3,153,639) was exceeded by capital outlays (\$19,091,567) in the current period.	9,318,441
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,702,633
Noncash contributions of capital assets to from governmental activities to business-type activities are expensed in the statement of activities and do not represent a current use of financial resources in the governmental funds.	(30,385,646)
The issuance of long-term debt (e.g. bonds, loans, leases) 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 assets. Also, governmental funds report the effect of, premiums, discounts, 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.	3,857,017
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in Accrued Interest Expense	(50,930)
Change in Compensated Absences Payable and Other Post Employment Benefits	<u>(225,077)</u>
Change in net position of governmental activities - statement of activities (page 16)	\$ <u><u>(17,380,976)</u></u>

CITY OF PIGEON FORGE, TENNESSEE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Local Taxes:				
Current Year Property Taxes	\$ 1,244,596	\$ 1,244,596	\$ 1,262,861	\$ 18,265
Payments in Lieu of Tax	523,075	523,075	509,031	(14,044)
Prior Years Property Taxes	0	0	1,328	1,328
Penalties Property Taxes	22,500	22,500	14,595	(7,905)
Amusement Tax	4,312,083	4,312,083	4,780,092	468,009
Cable Television Franchise Tax	120,000	120,000	135,096	15,096
Room Occupancy Tax	4,646,905	4,646,905	5,448,156	801,251
Local Sales Tax	13,057,299	13,057,299	14,757,504	1,700,205
Wholesale Beer Tax	720,000	720,000	861,425	141,425
Minimum Business Tax	795,000	795,000	1,013,704	218,704
Restaurant Tax	2,323,227	2,323,227	2,655,114	331,887
Gross Receipts Tax	10,868,463	10,868,463	12,103,969	1,235,506
Other Taxes	11,000	11,000	10,903	(97)
Total Taxes	38,644,148	38,644,148	43,553,778	4,909,630
Licenses and Permits:				
Beer Licenses	7,500	7,500	9,850	2,350
Building and Related Permits	180,000	180,000	245,577	65,577
Liquor Licenses	31,000	31,000	31,470	470
Total Licenses and Permits	218,500	218,500	286,897	68,397
Intergovernmental:				
Grants	1,195,264	1,195,264	1,330,488	135,224
State Premier Resort Tax	3,469,347	3,469,347	3,469,378	31
Franchise and Income Tax	20,000	20,000	36,646	16,646
Tax Sharing for Streets	12,000	12,000	11,955	(45)
State Beer and Alcohol Tax	2,800	2,800	2,869	69
Total Intergovernmental	4,699,411	4,699,411	4,851,336	151,925
Fees and Charges for Services:				
Trolley Income	692,495	692,495	458,269	(234,226)
Street Maintenance Contracts	89,511	89,511	89,512	1
Parks & Recreation Charges	681,700	681,700	633,695	(48,005)
Special Events Revenues	88,000	88,000	127,665	39,665
Fire Protection	48,750	48,750	49,750	1,000
Online Advertising Sales	400,000	400,000	331,433	(68,567)
Police Protection	30,000	30,000	30,000	0
Tourism Income	481,800	481,800	540,942	59,142
Miscellaneous Income	38,000	38,000	28,319	(9,681)
Total Fees and Charges for Services	2,550,256	2,550,256	2,289,585	(260,671)
Fines and Penalties	237,500	237,500	215,946	(21,554)
Interest and Dividends	60,000	60,000	300,352	240,352
Net Loss on Investment Portfolio	0	0	(137,080)	(137,080)
Rents and Royalties	106,269	106,269	101,760	(4,509)
Other Revenues	1,074,400	1,074,400	128,147	(946,253)
Total Revenues	47,590,484	47,590,484	51,590,721	4,000,237

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

CITY OF PIGEON FORGE, TENNESSEE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES:				
Administration, Finance, and Other General Government:				
City Court:				
Personnel Costs	\$ 21,979	\$ 21,979	\$ 21,687	\$ 292
City Hall Building Operations:				
Capital Outlay	10,000	10,000	86	9,914
General Services	81,982	84,282	85,619	(1,337)
Total City Hall Building Operations	91,982	94,282	85,705	8,577
City Parking:				
Capital Outlay	400,000	1,008,000	1,007,759	241
Financial Administration:				
Personnel Costs	933,830	933,830	914,455	19,375
Supplies	38,700	38,700	23,691	15,009
Maintenance	32,074	32,074	20,359	11,715
General Services	145,090	145,090	111,864	33,226
Total Financial Administration	1,149,694	1,149,694	1,070,369	79,325
Legislative:				
Personnel Costs	101,995	101,995	96,849	5,146
General Services	425,000	575,000	540,799	34,201
Total Legislative	526,995	676,995	637,648	39,347
Other General Government:				
Personnel Costs	212,220	212,220	185,656	26,564
Supplies	5,000	5,000	3,992	1,008
General Services	2,500,145	3,550,145	2,397,002	1,153,143
Capital Outlay	41,833	10,635,246	10,645,764	(10,518)
Total Other General Government	2,759,198	14,402,611	13,232,414	1,170,197
City Maintenance:				
Personnel Costs	523,880	522,880	496,857	26,023
Supplies	76,265	76,265	67,199	9,066
General Services	31,742	32,742	18,333	14,409
Maintenance	175,220	175,220	133,805	41,415
Capital Outlay	43,000	43,000	42,835	165
Total City Maintenance	850,107	850,107	759,029	91,078
Total Administration, Finance, and Other General Government	5,799,955	18,203,668	16,814,611	1,389,057
City Garage:				
Personnel Costs	596,790	596,790	576,871	19,919
Supplies	74,758	74,758	50,450	24,308
Maintenance	14,500	14,500	5,792	8,708
General Services	62,494	62,494	35,028	27,466
Capital Outlay	43,231	43,231	101,550	(58,319)
Total City Garage	791,773	791,773	769,691	22,082

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

CITY OF PIGEON FORGE, TENNESSEE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
Department of Tourism:				
Personnel Costs	1,010,422	1,010,422	886,861	123,561
Supplies	31,400	31,400	21,347	10,053
Maintenance	12,500	12,500	6,502	5,998
General Services	1,126,450	1,171,450	964,788	206,662
Capital Outlay	0	0	26,933	(26,933)
Advertising	9,752,100	9,707,100	9,503,637	203,463
Total Department of Tourism	<u>11,932,872</u>	<u>11,932,872</u>	<u>11,410,068</u>	<u>522,804</u>
Fire Protection and Control:				
Personnel Costs	2,674,266	2,674,266	2,661,565	12,701
Supplies	281,337	281,337	257,598	23,739
Maintenance	51,900	91,900	86,985	4,915
General Services	141,576	141,576	112,502	29,074
Capital Outlay	117,380	117,380	90,218	27,162
Total Fire Protection and Control	<u>3,266,459</u>	<u>3,306,459</u>	<u>3,208,868</u>	<u>97,591</u>
Highway and Streets:				
Personnel Costs	1,468,973	1,468,973	1,376,845	92,128
Supplies	181,140	199,140	160,686	38,454
Maintenance	129,764	129,764	116,831	12,933
General Services	223,271	223,271	158,225	65,046
Capital Outlay	670,385	670,385	538,682	131,703
Total Highway and Streets	<u>2,673,533</u>	<u>2,691,533</u>	<u>2,351,269</u>	<u>340,264</u>
Information Technology:				
Personnel Costs	147,458	147,458	142,609	4,849
Supplies	1,300	1,300	268	1,032
Maintenance	250	250	0	250
General Services	119,050	119,050	114,576	4,474
Capital Outlay	1,661	1,661	1,301	360
Total Information Technology	<u>269,719</u>	<u>269,719</u>	<u>258,754</u>	<u>10,965</u>
Library Administration:				
Personnel Costs	314,532	314,532	299,498	15,034
Supplies	41,600	41,600	33,631	7,969
Maintenance	8,400	8,400	5,188	3,212
General Services	170,480	170,480	56,370	114,110
Total Library Administration	<u>535,012</u>	<u>535,012</u>	<u>394,687</u>	<u>140,325</u>
Park Administration:				
Personnel Costs	872,344	869,094	812,303	56,791
Supplies	171,030	174,280	114,584	59,696
Maintenance	91,582	91,582	61,290	30,292
General Services	116,148	116,148	80,283	35,865
Capital Outlay	1,040,750	1,040,750	134,318	906,432
Total Park Administration	<u>2,291,854</u>	<u>2,291,854</u>	<u>1,202,778</u>	<u>1,089,076</u>

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

CITY OF PIGEON FORGE, TENNESSEE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2016

EXPENDITURES (Continued):	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Police:				
Personnel Costs	5,229,483	5,229,483	4,990,499	238,984
Supplies	401,590	401,590	326,211	75,379
Maintenance	144,544	144,544	105,220	39,324
General Services	134,779	134,779	82,262	52,517
Capital Outlay	79,000	79,000	78,736	264
Total Police	5,989,396	5,989,396	5,582,928	406,468
Protective Inspection:				
Personnel Costs	468,195	468,195	459,547	8,648
Supplies	26,085	26,085	13,593	12,492
Maintenance	12,500	12,500	11,007	1,493
General Services	14,250	14,250	6,878	7,372
Total Protective Inspection	521,030	521,030	491,025	30,005
Public Transportation Systems:				
Personnel Costs	2,523,482	2,523,482	1,832,516	690,966
Supplies	525,083	525,083	294,213	230,870
Maintenance	159,277	159,277	133,751	25,526
General Services	101,842	101,842	49,918	51,924
Capital Outlay	66,530	66,530	4,933	61,597
Total Public Transportation Systems	3,376,214	3,376,214	2,315,331	1,060,883
Recreation Administration/Community Center:				
Personnel Costs	1,151,851	1,151,851	1,012,945	138,906
Supplies	129,403	129,403	119,459	9,944
Maintenance	20,030	20,030	11,442	8,588
General Services	434,022	434,022	413,972	20,050
Capital Outlay	6,700	6,700	5,520	1,180
Total Recreation Administration/Community Center	1,742,006	1,742,006	1,563,338	178,668
Special Events:				
Personnel Costs	237,895	237,895	217,570	20,325
Supplies	7,800	7,800	3,802	3,998
Maintenance	5,800	5,800	2,319	3,481
General Services	479,250	479,250	413,923	65,327
Total Special Events	730,745	730,745	637,614	93,131

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

CITY OF PIGEON FORGE, TENNESSEE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
Community Development:				
Personnel Costs	283,916	283,916	274,578	9,338
Supplies	11,325	11,325	5,056	6,269
Maintenance	2,100	2,100	19	2,081
General Services	27,135	27,135	18,236	8,899
Total Community Development	<u>324,476</u>	<u>324,476</u>	<u>297,889</u>	<u>26,587</u>
Debt Service:				
Debt Service - Principal	3,155,000	3,155,000	3,155,000	0
Debt Service - Interest	1,563,073	1,563,073	1,519,985	43,088
Debt Service - Fees	0	0	43,088	(43,088)
Total Debt Service	<u>4,718,073</u>	<u>4,718,073</u>	<u>4,718,073</u>	<u>0</u>
Total Expenditures	<u>44,963,117</u>	<u>57,424,830</u>	<u>52,016,924</u>	<u>5,407,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,627,367</u>	<u>(9,834,346)</u>	<u>(426,203)</u>	<u>9,408,143</u>
Other Financing Sources (Uses):				
Transfers to Other Funds	(2,627,367)	(5,190,735)	(4,696,411)	494,324
Total Other Financing Sources (Uses)	<u>(2,627,367)</u>	<u>(5,190,735)</u>	<u>(4,696,411)</u>	<u>494,324</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	(15,025,081)	(5,122,614)	9,902,467
Fund Balance at Beginning of Year	<u>46,017,892</u>	<u>46,017,892</u>	<u>46,017,892</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 46,017,892</u>	<u>\$ 30,992,811</u>	<u>\$ 40,895,278</u>	<u>\$ 9,902,467</u>

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

CITY OF PIGEON FORGE, TENNESSEE
SPECIAL REVENUE FUND - TOURISM DEVELOPMENT ZONE FUND
STATEMENT TOURSIM DEVELOPMENT ZONE FUND BUDGETARY COMPARISON
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State Sales Tax	\$ 4,214,814	\$ 4,214,814	\$ 6,365,414	\$ 2,150,600
EXPENDITURES:				
Debt Service	<u>6,121,733</u>	<u>6,121,733</u>	<u>1,403,375</u>	<u>4,718,358</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,906,919)</u>	<u>(1,906,919)</u>	<u>4,962,039</u>	<u>6,868,958</u>
OTHER FINANCING SOURCES (USES):				
Transfer to LeConte Center Fund	0	0	(2,634,275)	(2,634,275)
Transfer from General Fund	494,324	494,324	0	(494,324)
Transfer from Water and Sewer Fund	<u>1,412,595</u>	<u>1,412,595</u>	<u>0</u>	<u>(1,412,595)</u>
Total Other Financing Sources (Uses)	<u>1,906,919</u>	<u>1,906,919</u>	<u>(2,634,275)</u>	<u>(4,541,194)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	0	2,327,764	2,327,764
FUND BALANCES, BEGINNING OF YEAR	<u>368,362</u>	<u>368,362</u>	<u>368,362</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 368,362</u>	<u>\$ 368,362</u>	<u>\$ 2,696,126</u>	<u>\$ 2,327,764</u>

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

ASSETS	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 16,013,301	\$ 1,460,731	\$ 1,409,751	\$ 18,883,783
Certificates of Deposit	1,049,095	0	0	1,049,095
Investments	3,636,687	0	0	3,636,687
Receivables, Net	1,423,284	0	0	1,423,284
Sponsorships Receivable	0	0	277,259	277,259
Prepaid Items	0	0	71,248	71,248
Inventories	288,979	0	113,544	402,523
Total Current Assets	<u>22,411,346</u>	<u>1,460,731</u>	<u>1,871,802</u>	<u>25,743,879</u>
NONCURRENT ASSETS				
Restricted Cash and Cash Equivalents	1,340,690	0	0	1,340,690
Sponsorships Receivable	0	0	148,950	148,950
Investment in Joint Venture	6,000,522	0	0	6,000,522
Capital Assets				
Nondepreciable	18,378,735	3,245,480	12,250,178	33,874,393
Depreciable, Net of Accumulated Depreciation	65,931,645	49,175,566	18,423,647	133,530,858
Total Capital Assets, Net of Accumulated Depreciation	<u>84,310,380</u>	<u>52,421,046</u>	<u>30,673,825</u>	<u>167,405,251</u>
Total Noncurrent Assets	<u>91,651,592</u>	<u>52,421,046</u>	<u>30,822,775</u>	<u>174,895,413</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>74,305</u>	<u>0</u>	<u>0</u>	<u>74,305</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 114,137,243</u>	<u>\$ 53,881,777</u>	<u>\$ 32,694,577</u>	<u>\$ 200,713,597</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 169,283	\$ 437,123	\$ 440,704	\$ 1,047,110
Due to Other Funds, Net	112,378	0	0	112,378
Accrued Interest	191,821	191,198	0	383,019
Taxes Payable	69,776	152	35,537	105,465
Compensated Absences	48,200	17,093	0	65,293
Unearned Revenue	0	0	1,085,570	1,085,570
Long-Term Debt - Current Portion	803,104	350,000	0	1,153,104
Total Current Liabilities	<u>1,394,562</u>	<u>995,566</u>	<u>1,561,811</u>	<u>3,951,939</u>
NONCURRENT LIABILITIES:				
Unearned Revenue	0	0	148,950	148,950
Long-Term Debt	62,752,184	48,150,000	0	110,902,184
Total Liabilities	<u>64,146,746</u>	<u>49,145,566</u>	<u>1,710,761</u>	<u>115,003,073</u>
DEFERRED INFLOWS OF RESOURCES				
Derivative Instrument - Interest Rate Swap	3,134,420	0	0	3,134,420
NET POSITION				
Net Investment in Capital Assets	19,035,667	3,921,046	30,673,825	53,630,538
Unrestricted	27,820,410	815,165	309,991	28,945,566
Total Net Position	<u>46,856,077</u>	<u>4,736,211</u>	<u>30,983,816</u>	<u>82,576,104</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 114,137,243</u>	<u>\$ 53,881,777</u>	<u>\$ 32,694,577</u>	<u>\$ 200,713,597</u>

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

CITY OF PIGEON FORGE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
OPERATING REVENUES:				
Fees and Charges for Services	\$ 14,283,095	\$ 727,966	\$ 944,843	\$ 15,955,904
Fines and Penalties	113,212	0	0	113,212
Other Revenues	298,573	0	497	299,070
Tap Fees	355,120	0	0	355,120
Sponsorships	0	0	213,576	213,576
Total Operating Revenues	<u>15,050,000</u>	<u>727,966</u>	<u>1,158,916</u>	<u>16,936,882</u>
OPERATING EXPENSES:				
Purification	1,240,624	0	0	1,240,624
Transmission and Distribution	971,299	0	0	971,299
Sewer System	306,752	0	0	306,752
Sewer Treatment and Disposal	2,632,396	0	0	2,632,396
Customer Accounting and Collections	154,393	0	0	154,393
Administrative and General	778,574	0	0	778,574
Personnel Costs	0	477,070	322,860	799,930
Supplies	0	46,990	2,983	49,973
Maintenance	0	55,065	50,318	105,383
General Services	0	756,385	1,016,677	1,773,062
Depreciation	2,043,894	1,407,552	167,495	3,618,941
Total Operating Expenses	<u>8,127,932</u>	<u>2,743,062</u>	<u>1,560,333</u>	<u>12,431,327</u>
OPERATING INCOME (LOSS)	<u>6,922,068</u>	<u>(2,015,096)</u>	<u>(401,417)</u>	<u>4,505,555</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and Dividends	37,176	0	0	37,176
Debt Service Fees	(31,950)	0	0	(31,950)
Interest Expense	(1,751,860)	0	0	(1,751,860)
Loss on Disposal of Plant	(4,308,635)	0	0	(4,308,635)
Interest on Capital Lease	0	(2,303,450)	0	(2,303,450)
Net Gain on Investment Portfolio	828	0	0	828
Change in Fair Value of Derivatives - Interest Rate Swap	(532,928)	0	0	(532,928)
Total Nonoperating Expenses	<u>(6,587,369)</u>	<u>(2,303,450)</u>	<u>0</u>	<u>(8,890,819)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS AND CAPITAL CONTRIBUTION	<u>334,699</u>	<u>(4,318,546)</u>	<u>(401,417)</u>	<u>(4,385,264)</u>
TRANSFERS FROM OTHER FUNDS	0	5,243,959	999,587	6,243,546
CAPITAL CONTRIBUTION - FROM GOVERNMENTAL ACTIVITIES	0	0	30,385,646	30,385,646
CAPITAL CONTRIBUTION - FROM INDUSTRIAL DEVELOPMENT BOARD	0	234,744	0	234,744
CHANGE IN NET POSITION	<u>334,699</u>	<u>1,160,157</u>	<u>30,983,816</u>	<u>32,478,672</u>
NET POSITION, BEGINNING OF YEAR	<u>46,521,378</u>	<u>3,576,054</u>	<u>0</u>	<u>50,097,432</u>
NET POSITION, END OF YEAR	<u>\$ 46,856,077</u>	<u>\$ 4,736,211</u>	<u>\$ 30,983,816</u>	<u>\$ 82,576,104</u>

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

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 15,029,350	\$ 727,967	\$ 1,967,227	\$ 17,724,544
Cash Paid to or on Behalf of Employees	(1,300,637)	(470,453)	0	(1,771,090)
Cash Paid to Suppliers	(6,076,913)	(715,672)	(1,101,389)	(7,893,974)
Net Cash Provided by (Used in) Operating Activities	<u>7,651,800</u>	<u>(458,158)</u>	<u>865,838</u>	<u>8,059,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(2,679,682)	(89,415)	(455,674)	(3,224,771)
Transfers Received for Capital Purposes	0	2,634,275	0	2,634,275
Principal Paid on Debt Maturities	(768,941)	(330,000)	0	(1,098,941)
Interest Expense	(2,727,355)	(2,304,275)	0	(5,031,630)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(6,175,978)</u>	<u>(89,415)</u>	<u>(455,674)</u>	<u>(6,721,067)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	0	1,046,222	999,587	1,046,222
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	<u>0</u>	<u>1,046,222</u>	<u>999,587</u>	<u>1,046,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net Increase of Certificates of Deposit	3,616,007	0	0	3,616,007
Purchases of Restricted Investments	(3,636,687)	0	0	(3,636,687)
Cash Receipts on Sales of Restricted Investments	969,385	0	0	969,385
Interest and Dividends	37,176	0	0	37,176
Net Cash Provided by (Used in) Investing Activities	<u>985,881</u>	<u>0</u>	<u>0</u>	<u>985,881</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,461,703</u>	<u>498,649</u>	<u>1,409,751</u>	<u>4,370,103</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>14,892,288</u>	<u>962,082</u>	<u>0</u>	<u>15,854,370</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 17,353,991</u>	<u>\$ 1,460,731</u>	<u>\$ 1,409,751</u>	<u>\$ 20,224,473</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities:				
Operating Income (Loss)	\$ 6,922,068	\$ (2,015,096)	\$ (401,417)	\$ 4,505,555
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	2,043,894	1,407,552	167,495	3,618,941
(Increase) Decrease in Assets:				
Accounts Receivable	(20,650)	0	(426,209)	(446,859)
Due From Other Funds	18,399	0	0	18,399
Inventories	(813)	0	(113,544)	(114,357)
Prepaid Items	0	0	(71,248)	
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	(1,310,383)	142,617	440,704	(727,062)
Taxes Payable	2,367	151	35,537	38,055
Compensated Absences	(3,082)	6,618	0	3,536
Unearned Revenue	0	0	1,234,520	1,234,520
Total Adjustments	<u>729,732</u>	<u>1,556,938</u>	<u>1,267,255</u>	<u>3,553,925</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 7,651,800</u>	<u>\$ (458,158)</u>	<u>\$ 865,838</u>	<u>\$ 8,059,480</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:				
Change in Fair Value of Derivatives - Interest Rate Swap	\$ (532,928)	\$ 0	\$ 0	\$ (532,928)
Amortization of Deferred Amount of Refunding	\$ 2,812	\$ 0	\$ 0	\$ 2,812
Amortization of Bond Premium	\$ (9,021)	\$ 0	\$ 0	\$ (9,021)
Change in Fair Value of Restricted Investments	\$ 828	\$ 0	\$ 0	\$ 828
Noncash Capital Contribution - From Industrial Development Board	\$ 0	\$ 234,744	\$ 0	\$ 234,744
Capitalized Interest	\$ 915,630	\$ 0	\$ 0	\$ 915,630
Forgiveness of due to General Fund	\$ 0	\$ (1,563,462)	\$ 0	\$ (1,563,462)
Noncash Capital Contribution of Assets	\$ 0	\$ 0	\$ 30,385,646	\$ 30,385,646

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

CITY OF PIGEON FORGE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - GENERAL INFORMATION

Reporting Entity - The City of Pigeon Forge, 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.

Discretely Presented Component Unit - The Industrial Development Board of the City of Pigeon Forge (the "Board") is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section 7-53-101 et seq. The Board was formed in 1980 but was inactive for many years. With the State's approval, the Board was reinstated in 2011. The board members of the Board are appointed by City Council. There are no members of City Council who also serve as board members of the Board. The Board performs public functions on behalf of the City and its purpose is to undertake the financing and development of projects deemed by the Act to promote industry, trade, commerce, tourism and recreation and housing construction. The Board participates in economic development activities by serving as a conduit for financing commerce and tourism projects. The Board accounts for its operations as an enterprise fund. The Board is reported in a single column in the combined financial statements to emphasize that it is legally separate from the City. Complete financial statements for the Board may be obtained from their administrative office at 3221 Rena Street, Pigeon Forge, Tennessee 37863.

Accounting Pronouncements - 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*. All applicable GASB Statements have been implemented. As required by GASB Statement No. 34, the City classifies its net position into three components - net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and 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 net investment in capital assets. 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 position that does not meet the definition of "restricted" or "net investment in capital assets." These are available for current use by the City.

Government-Wide Statements - The statement of net position and the statement of activities display information about the primary government and its component unit. 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.

NOTE 1 - GENERAL INFORMATION (Continued)

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 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.

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 equity, 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.

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

Water and Sewer System, LeConte Center and Sports Facility - 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

Industrial Development Board - The Board is included in the government-wide financial statements and is accounted for on the same basis as the City's proprietary funds.

NOTE 1 - GENERAL INFORMATION (Continued)

Fund Balance Classifications - The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* ("GASB 54") effective for the fiscal year ended June 30, 2011. 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 non-spendable, 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:

Non-spendable 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Government-Wide

The government-wide financial statements are reported using the economic resource measurement focus and accrual basis of accounting, as are the proprietary fund financial statements and the discretely presented component unit. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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, revenues are recognized only as they become 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 sixty 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. Compensated absences are not accrued but are recorded as expenditures.
- D. Disbursements for purchase of capital assets providing future benefits are considered expenditures; loan and bond proceeds are reported as other financing sources.
- E. Other tax and non-exchange revenue receivable includes local and state taxes, local beer tax, state income tax, special gross receipts tax, amusement tax, room occupancy tax, cable TV franchise tax, and state gasoline and motor fuel taxes. Certain non-exchange transactions related to minimum business tax, city and court fines and costs, and drug related fines are not recognized because they are not measurable. Certain other non-exchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

Proprietary Funds

The City's proprietary funds (see Note 1) use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of the water and sewer system's tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Major Funds

Major Governmental Fund: 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 tourism development zone special revenue fund is used to primarily account for the taxes generated from activities in a portion of a tourism development zone as designated per Tennessee Code.

Major Proprietary Funds: The Water and Sewer Fund is the operating fund for the City's water and wastewater systems. The LeConte Center Fund is the operating fund for the City's LeConte Center. The Sports Facility Fund is the operating fund for the City's baseball sports complex.

Discretely Presented Component Unit

The City's discretely presented component unit (Industrial Development Board) uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund will be lease payments received from the City for the use of the LeConte Center (see Note 15). Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Equivalents - Cash equivalents consist of certificates of deposit, money market investment accounts and other temporary investments maturing within 90 days of original purchase, except for cash and cash equivalents held in investment accounts to be used to purchase investments.

Restricted Cash, Cash Equivalents and Investments - Cash, cash equivalents and investments in certain funds are classified as restricted because the restriction is either imposed by enabling legislation or the source of funds restricts their use to specific purposes.

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.

Sponsorships Receivable - Sponsorships 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.

Allowance for Doubtful Accounts - The allowance is determined using historical information and current evaluations of accounts receivable.

Investments - Investments are carried at fair value as determined by quoted market prices as of June 30, 2016, and any unrealized gain/loss is recorded in change in fair value of investments.

Inventories - Inventories are valued at the lower of cost (first-in, first-out) or market and determined by physical count. Inventories consist of parts and supplies held for consumption. The costs thereof are recorded as an expenditure when consumed rather than when purchased. Reported inventories in the General Fund are equally offset by an equal fund balance amount shown as non-spendable.

Interest Costs - The City capitalizes interest at the government wide level and proprietary fund types as a component of the cost of property, plant and equipment constructed for its own use, where appropriate.

Capital Assets

Governmental Funds: Capital outlays are recorded as expenditures on the governmental fund financial statements and as assets on the government-wide financial statements.

Proprietary Fund Types: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis.

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

Capital assets are stated at cost or estimated original cost, net of accumulated depreciation. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method. The City's capitalization threshold is \$5,000. 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 rates are as follows:

Buildings and Improvements	15-50 years
Equipment	5-20 years
Automobiles	5-30 years
Infrastructure	10-70 years

NOTE 2 - 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. This consists of deferred charges on debt refundings resulting from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred capital contributions represent contributions payable to the Board in subsequent periods.

Long-Term Obligations - The City reports long-term debt and other long-term obligations as liabilities in the government-wide and proprietary fund financial statements. Bond premiums and discounts, the difference between the carrying amount of defeased debt and its reacquisition price are deferred and amortized over the life of the bond. 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. Loan and bonds payable are reported net of the applicable premium or discount and any difference between the carrying amount of the defeased debt and its reacquisition price.

In governmental fund financial statements debt proceeds and payments, premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

The Public Building Authority, on behalf of the City has entered into an interest rate swap agreement to modify interest rates on certain outstanding debt.

Compensated Absences - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Employees, upon termination of employment, are paid for accrued vacation leave. A liability for accumulated vacation that is attributable to service already rendered and that is not contingent on a specific event that is outside the control of the City and its employees is accrued as employees earn the rights to the benefits. Accumulated vacation amounts that relate to future services or that are contingent on a specific event that is outside the control of the City and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences for vacation is accrued when incurred in government-wide and proprietary fund and reported as a fund liability. The governmental fund financial statements record an expenditure when vacation is taken and no liability is recorded.

Employees are not paid for unused sick days upon termination of employment; accordingly, sick pay is charged to expenditures when taken, and no provision has been made in the financial statements for unused sick leave.

Budgetary Principles - All funds except the capital projects funds of the City operate under annual appropriations budgets. The appropriation ordinance is passed on a departmental level for the general and proprietary funds and on a fund level for the special revenue funds. The budget documents 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 funds, except for the proprietary fund.

The City's policy is to include debt service fees in the interest budget line.

The City is not required to present a budget for the proprietary funds. The City's policy is to budget a nominal amount in the proprietary fund for depreciation and none for amortization.

Capital projects funds are normally budgeted over the life of the project and not on an annual basis.

The budgets are properly amended by ordinances of the board of commissioners and the budget amounts shown in the financial statements are the original budget and final budget as revised during the year. All annual appropriations lapse at fiscal year-end.

Water and Sewer Fund Revenue and Expenses - Certain revenue and expenses of the water department and sewer department that cannot be directly attributed to the operations of each division are allocated on a pro-rata basis of 60% and 40%, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - Property taxes are levied as of 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. 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 2016 are recognized as an enforceable legal claim on January 1, 2016. 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. The Board's deferred inflows of resources consist of capital contributions receivable from the City for development.

The negative fair value of the derivative instrument is reported as a deferred inflow of resources.

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

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 in the proprietary fund. 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. (See "Property Taxes" above.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Tap Fees - In the Water and Sewer Fund all tap fees are recorded as operating revenue and the related cost of setting taps is expensed. The amount assessed does not substantially exceed the cost to connect.

Implementation of GASB Statement No. 72 - During the fiscal year ended June 30, 2016, the Board implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes guidance for determining fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements (see Note 5).

Reclassifications - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2015 balances may have been reclassified in order to be consistent with their classification for June 30, 2016.

NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT

Custodial Credit Risk - Deposits - In the case of cash and certificates of deposit, this is the risk that in the event of a bank failure, the City's deposits will 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, 2016, the book balances of cash, certificates of deposit, and restricted cash totaled \$53,544,647 and the bank balances totaled \$54,816,870 (\$2,046,148 of which was covered by FDIC insurance, \$34,489,569 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department and \$18,281,153 which is in a financial institution not participating in the bank pool, but this institution pledges collateral held in safekeeping by a third party bank acting as an agent of the City in the City's name).

The Board has book and bank balances of cash and restricted cash totaling \$1,236 as of June 30, 2016. The Board has no balance of uninsured cash as of June 30, 2016.

NOTE 4 - INVESTMENTS

Investment Policies

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City and Board manage their exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Investing is performed in accordance with investment policies which comply with applicable state statutes. The City and Board's Investment Policy allows only investments in the highest-grade securities. As of June 30, 2016, The City's investment holdings were in compliance with state statutes.

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 and Board place no limit on the amount it may invest in any one issuer. As of June 30, 2016, 76% of the City's investments are in U.S. Treasuries and 24% are in tax-free municipal securities. All U.S. Treasuries have an AAA credit rating and tax-free municipal securities range from AAA - A.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City or Board will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The City's and Board's investment broker at June 30, 2016 provides Securities Investor Protection Corporation (SIPC) and other insurance.

As of June 30, 2016, the City had the following investments:

	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 4 Years</u>
Investments:				
Primary Government:				
U.S. Treasuries	\$ 8,862,750	\$ 8,862,750	\$ 0	\$ 0
Tax-free Municipals	<u>2,762,624</u>	<u>2,762,624</u>	<u>0</u>	<u>0</u>
	<u>\$ 11,625,374</u>	<u>\$ 11,625,374</u>	<u>\$ 0</u>	<u>\$ 0</u>
Component Unit:				
Federated Prime Cash Obligation Fund	<u>\$ 120,331</u>	<u>\$ 120,331</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 5 - FAIR VALUE OF INVESTMENTS

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 or 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 use significant unobservable inputs.

The City and the Board has the following recurring fair value measurements as of June 30, 2016:

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.

Municipal Bonds - Actively traded individual debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Federated Cash Prime Obligation Funds - Valued at daily closing price as reported by the fund. These funds are required to publish their value and to transact at that price and are deemed actively traded.

Derivative Liabilities - Interest Rate Swap - Valued based on the interest rate swap agreement's valuation models and assumptions and available market data.

The following table summarizes the assets and liabilities of the City and Board for which fair values are determined on a recurring basis as of June 30, 2016:

	Carrying Amount in the Balance Sheet	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government:				
<u>Investments:</u>				
U.S. Treasuries	\$ 8,862,750	\$ 8,862,750	\$ 0	\$ 0
Tax-free Municipals	2,762,624	0	2,762,624	0
	<u>\$ 11,625,374</u>	<u>\$ 8,862,750</u>	<u>\$ 2,762,624</u>	<u>\$ 0</u>
<u>Derivative Liability:</u>				
Derivative Liability - Interest Rate Swap	\$ 3,134,420	\$ 0	\$ 3,134,420	\$ 0
Component Unit:				
Federate Cash Prime Obligation Fund	\$ 120,331	\$ 120,331	\$ 0	\$ 0

NOTE 6 - RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including restricted receivables and the applicable allowance for uncollectible accounts are as follows:

	General Fund	Water and Sewer Fund	Sports Facility Fund	Nonmajor and Other Funds	Total
Receivables:					
Interest	\$ 5,974	\$ 0	\$ 1	\$ 0	\$ 5,975
Taxes					
Property - Unbilled	1,347,102	0	0	0	1,347,102
Property - Billed	75,312	0	0	0	75,312
Sales	1,284,984	0	0	0	1,284,984
Special Gross Receipts	1,393,503	0	0	0	1,393,503
Amusement	653,221	0	0	0	653,221
Restaurant	312,141	0	0	0	312,141
Room Occupancy	637,668	0	0	0	637,668
Premier Resort	644,825	0	0	0	644,825
Gasoline (Restricted for Streets and Highways)	0	0	0	46,754	46,754
Wholesale Beer	94,274	0	0	0	94,274
Minimum Business	42,450	0	0	0	42,450
Other	98,414	0	0	0	98,414
Accounts - Billed	0	1,379,956	0	0	1,379,956
Special Assessments	0	5,047	0	0	5,047
Sponsorships	0	0	426,209	0	426,209
Intergovernmental	1,357,448	38,281	0	0	1,395,729
Gross Receivables	<u>7,947,316</u>	<u>1,423,284</u>	<u>426,210</u>	<u>46,754</u>	<u>9,843,564</u>
Less: Allowance for Uncollectibles	<u>(18,190)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18,190)</u>
Net Total Receivables, Fund Level	7,929,126	1,423,284	426,210	46,754	9,825,374
Tourism Development Zone Sales Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,365,414</u>	<u>6,365,414</u>
Total Receivables, Government Wide Level	<u>\$ 7,929,126</u>	<u>\$ 1,423,284</u>	<u>\$ 426,210</u>	<u>\$ 6,412,168</u>	<u>\$ 16,190,788</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

	Due From Other Funds	Due to Other Funds	Total Internal Balances	Due From Component Unit	Due to Primary Government
Governmental Activities					
General Fund	\$ 5,410	\$ (2,696,126)	\$ (2,690,716)	\$ 121,567	\$ 0
Nonmajor Funds	<u>2,806,809</u>	<u>(3,715)</u>	<u>2,803,094</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>2,812,219</u>	<u>(2,699,841)</u>	<u>112,378</u>	<u>121,567</u>	<u>0</u>
Business-type Activities					
Water and Sewer	<u>0</u>	<u>(112,378)</u>	<u>(112,378)</u>	<u>0</u>	<u>0</u>
Total Business-type Activities	<u>0</u>	<u>(112,378)</u>	<u>(112,378)</u>	<u>0</u>	<u>0</u>
Component Unit					
Industrial Development Board	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,567</u>

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

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers during the fiscal year were as follows:

	<u>Transfers From:</u>		
	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Tourism Development Zone Fund</u>	<u>Total</u>
<u>Transfers To:</u>			
<i>Governmental Activities:</i>			
Nonmajor Funds	\$ 1,087,140	\$ 0	\$ 1,087,140
<i>Business-type Activities:</i>			
LeConte Center Fund	2,609,684	2,634,275	5,243,959
Sports Facility Fund	999,587	0	999,587
	<u>\$ 4,696,411</u>	<u>\$ 2,634,275</u>	<u>\$ 7,330,686</u>

Transfers at the fund level are used to (1) move revenues or other cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Included in the above transfers from the General Fund to the LeConte Center Fund is a noncash transfer in the amount of \$1,563,462 to account for forgiveness of a liability from the LeConte Center Fund to the General Fund.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 45,112,844	\$ 0	\$ (5,016,303)	\$ 40,096,541
Construction in Progress	30,425,129	10,652,319	(25,956,073)	15,121,375
Total Capital Assets, Not Being Depreciated	<u>75,537,973</u>	<u>10,652,319</u>	<u>(30,972,376)</u>	<u>55,217,916</u>
Capital Assets, Being Depreciated:				
Buildings	19,377,369	0	0	19,377,369
Improvements other than Buildings	11,077,157	90,873	0	11,168,030
Equipment	5,441,166	263,342	0	5,704,508
Automobiles	14,158,191	320,044	0	14,478,235
Infrastructure	53,752,628	1,732,202	0	55,484,830
Total Capital Assets, Being Depreciated	<u>103,806,511</u>	<u>2,406,461</u>	<u>0</u>	<u>106,212,972</u>
Less accumulated depreciation for:				
Buildings	(7,431,959)	(485,755)	0	(7,917,714)
Improvements other than Buildings	(4,411,565)	(489,937)	0	(4,901,502)
Equipment	(3,894,212)	(307,086)	0	(4,201,298)
Automobiles	(7,732,563)	(962,443)	0	(8,695,006)
Infrastructure	(18,205,909)	(908,418)	0	(19,114,327)
Total Accumulated Depreciation	<u>(41,676,208)</u>	<u>(3,153,639)</u>	<u>0</u>	<u>(44,829,847)</u>
Total Capital Assets, Being Depreciated, Net	<u>62,130,303</u>	<u>(747,178)</u>	<u>0</u>	<u>61,383,125</u>
Governmental Activities Capital Assets, Net	<u>\$ 137,668,276</u>	<u>\$ 9,905,141</u>	<u>\$ (30,972,376)</u>	<u>\$ 116,601,041</u>

(Table Continued on Next Page)

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance July 01, 2015	Increases	Decreases	Balance June 30, 2016
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 3,683,938	\$ 26,037,221	\$ 0	\$ 29,721,159
Construction in Progress	47,042,599	2,953,500	(45,842,865)	4,153,234
Total Capital Assets, Not Being Depreciated	<u>50,726,537</u>	<u>28,990,721</u>	<u>(45,842,865)</u>	<u>33,874,393</u>
Capital Assets, Being Depreciated:				
Buildings	52,044,138	16,271,934	0	68,316,072
Water Plant and Improvements other than Buildings	13,447,164	31,080,765	(10,944,632)	33,583,297
Equipment	2,407,928	1,334,803	0	3,742,731
Automobiles	1,007,346	31,374	0	1,038,720
Infrastructure	51,949,521	2,259,058	0	54,208,579
Total Capital Assets, Being Depreciated	<u>120,856,097</u>	<u>50,977,934</u>	<u>(10,944,632)</u>	<u>160,889,399</u>
Less Accumulated Depreciation for:				
Buildings	(1,070,924)	(1,489,077)	0	(2,560,001)
Water Plant and Improvements other than Buildings	(8,705,621)	(772,010)	7,270,998	(2,206,633)
Equipment	(575,448)	(171,069)	0	(746,517)
Automobiles	(471,797)	(72,477)	0	(544,274)
Infrastructure	(20,186,808)	(1,114,308)	0	(21,301,116)
Total Accumulated Depreciation	<u>(31,010,598)</u>	<u>(3,618,941)</u>	<u>7,270,998</u>	<u>(27,358,541)</u>
Total Capital Assets, Being Depreciated, Net	<u>89,845,499</u>	<u>47,358,993</u>	<u>(3,673,634)</u>	<u>133,530,858</u>
Business-type Activities Capital Assets, Net	<u>\$ 140,572,036</u>	<u>\$ 76,349,714</u>	<u>\$ (49,516,499)</u>	<u>\$ 167,405,251</u>

Activity in the above tables includes the contribution of certain capital assets from governmental activities to the Sports Facility Fund as discussed in Note 20. In October 2015, the City placed in service its newly constructed wastewater treatment facilities totaling \$45,343,148. The existing wastewater treatment facility with a net book value of \$3,673,635, plus demolition costs of \$635,000, was disposed for a total loss of \$4,308,635. Depreciation was charged to primary government governmental activities as follows:

Administration, Finance and Other General Government:	
Administration/Finance	\$ 118,714
City Maintenance	34,463
City Garage	27,565
Community Development	2,480
Department of Tourism	69,926
Fire Protection	197,398
Highways and Streets	1,157,247
Library Administration	28,374
Park Administration	361,059
Police Protection	305,225
Protective Inspection	3,622
Public Transportation System	445,966
Recreation Administration/Community Center	226,239
Sanitation	141,575
Special Events	33,786
Total Governmental Depreciation	<u>\$ 3,153,639</u>

Component Unit	Balance July 01, 2015	Increases	Decreases	Balance June 30, 2016
Industrial Development Board				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,500	\$ 233,244	\$ (234,744)	\$ 0
Total Capital Assets, Not Being Depreciated	<u>1,500</u>	<u>233,244</u>	<u>(234,744)</u>	<u>0</u>
Industrial Development Board				
Capital Assets, Net	<u>\$ 1,500</u>	<u>\$ 233,244</u>	<u>\$ (234,744)</u>	<u>\$ 0</u>

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. The City capitalized \$915,630 of interest during the year ended June 30, 2016.

At June 30, 2016, the City had significant contractual commitments for construction totaling approximately \$65,391,000 with total related expenditures to date of approximately \$64,660,000.

NOTE 9 - EQUIPMENT AND OTHER LEASE COMMITMENTS

The City has equipment leases that are classified as operating leases. Rental expense under all operating leases amounted to \$26,529. The contracts provide for termination of the leases under certain conditions.

Also see Notes 15 and 16 for other lease agreements.

NOTE 10 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP

The long-term obligations outstanding and the changes therein for the year ended June 30, 2016 are as follows:

Debt Issue	Balance July 01, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Governmental Activities:					
Long-Term Debt					
General Obligation Bonds					
Refunding, Series 2008A	\$ 8,666,721	\$ 0	\$ 286,059	\$ 8,380,662	\$ 291,896
Refunding, Series 2009	225,000	0	225,000	0	0
Refunding, Series 2009B	10,740,000	0	1,995,000	8,745,000	2,075,000
Series 2012	24,325,000	0	700,000	23,625,000	750,000
Series 2014	9,750,000	0	330,000	9,420,000	335,000
Series 2015	9,890,000	0	355,000	9,535,000	365,000
Loans Payable to the Public					
Building Authority of Sevier County:					
Loan Series VII-K-1	17,235,000	0	15,000	17,220,000	100,000
Total Long-Term Debt	80,831,721	0	3,906,059	76,925,662	3,916,896
Premiums on Issuance	2,142,190	0	203,137	1,939,053	0
	82,973,911	0	4,109,196	78,864,715	3,916,896
Compensated Absences	721,706	576,661	569,680	728,687	728,687
Total Long-Term Obligations	<u>\$ 83,695,617</u>	<u>\$ 576,661</u>	<u>\$ 4,678,876</u>	<u>\$ 79,593,402</u>	<u>\$ 4,645,583</u>
Business-Type Activities:					
Long-Term Debt					
General Obligation Bonds,					
Refunding, Series 2008A	\$ 6,203,258	\$ 0	\$ 203,941	\$ 5,999,317	\$ 208,104
Refunding, Series 2009	945,000	0	180,000	765,000	185,000
Series 2010	45,000,000	0	0	45,000,000	0
Loans Payable to the Public					
Building Authority of Sevier County:					
Loan Series VII-K-1	12,230,000	0	385,000	11,845,000	410,000
Total Long-Term Debt	64,378,258	0	768,941	63,609,317	803,104
Premium (Discount) on Issuance	(51,216)	0	2,812	(54,028)	0
	64,327,042	0	771,753	63,555,289	803,104
Capital Lease	48,830,000	0	330,000	48,500,000	350,000
Compensated Absences	61,757	60,741	57,205	65,293	65,293
Total Long-Term Obligations	<u>\$ 113,218,799</u>	<u>\$ 60,741</u>	<u>\$ 1,158,958</u>	<u>\$ 112,120,582</u>	<u>\$ 1,218,397</u>

NOTE 10 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

During 2011, the City issued \$45,000,000 in General Obligation Bonds - Series 2010 (Federally Taxable - Build America Bonds). Interest payments are made semi-annually at a gross interest rate of 6.875%, or at a net rate of 3.78%. The City receives a direct subsidy of 41.76% from the United States Government that reduces its interest costs. The City has no assurance that the United States Government will continue to make the direct subsidy payments or reduce the amount of future subsidies. Interest subsidies received by the City during 2016 totaled \$1,331,280.

	Balance July 01, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Component Unit:					
Long-Term Debt					
Public Facility Bonds, Series 2011	\$ 48,830,000	\$ 0	\$ 330,000	\$ 48,500,000	\$ 350,000
Total Long-Term Debt	48,830,000	0	330,000	48,500,000	350,000
Premiums on Issuance	1,815,849	0	86,128	1,729,721	0
Total Long-Term Obligations	<u>\$ 50,645,849</u>	<u>\$ 0</u>	<u>\$ 416,128</u>	<u>\$ 50,229,721</u>	<u>\$ 350,000</u>

General obligation bonds and loans payable currently outstanding are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2016
Governmental Activities:					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	\$ 9,999,443	\$ 8,380,662
General Obligation Refunding Bonds - Series 2009	3.00% - 3.75%	3/12/2009	6/30/2016	1,635,000	0
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	5.00%	6/1/2011	6/1/2034	17,235,000	17,220,000
General Obligation Refunding Bonds - Series 2009B	2.50% - 4.25%	11/19/2009	6/1/2020	17,750,000	8,745,000
General Obligation Bonds Series 2012	2.50% - 4.00%	6/28/2012	6/1/2037	25,000,000	23,625,000
General Obligation Bonds Series 2014	2.00% - 3.50%	12/18/2014	6/30/2037	9,750,000	9,420,000
General Obligation Bonds Series 2015	2.00% - 3.00%	2/20/2015	6/30/2037	9,890,000	9,535,000
Total Governmental Activities Debt					<u>\$ 76,925,662</u>
Business-Type Activities:					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	\$ 5,350,557	\$ 5,999,317
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	See interest rate swap information below	6/1/2011	6/1/2034	12,465,000	11,845,000
General Obligation Refunding Bonds - Series 2009	3.00% - 3.80%	3/12/2009	6/1/2020	3,465,000	765,000
General Obligation Bonds - Series 2010	6.875% - 7.125%	12/29/2010	6/1/2040	45,000,000	45,000,000
Total Business-Type Activities Debt					<u>\$ 63,609,317</u>
Component Unit:					
Long-Term Debt					
Public Facility Bonds, Series 2011	3.00% - 5.00%	8/23/2011	6/1/2036	\$ 49,445,000	<u>\$ 48,500,000</u>

NOTE 10 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

All bonds and loans are backed by the full faith and credit of the City. The City has pledged certain revenues, including its local sales tax, premier resort tax and tourism development zone revenue, as collateral to repay its Series VII-K-1, Series 2008A, Series 2010 and Series 2012 long-term debt. Series V-H-1 was refunded in 2011 with Series VII-K-1. Series 2008A matures in 2018, Series VII-K-1 matures in 2034, Series 2010 matures in 2040 and Series 2012 matures in 2037. These debt issues were used primarily to fund public improvement projects of the City. For the year ended June 30, 2016, principal and interest payments on these debt issues were approximately 22% of the pledged revenue. Principal and interest remaining to be paid on Series 2008A, VII-K-1, Series 2010 and 2012 is approximately \$97,576,000, of which \$49,321,000 will be funded by governmental activities, based on market interest rates effective on June 30, 2016.

Additionally, the City has pledged future water and sewer operating revenues to repay its proprietary fund long-term debt. The debt issues of the proprietary fund, which mature through 2040, were used primarily to fund water and sewer improvement projects. For the year ended June 30, 2016, principal and interest payments on these debt issues were approximately 25% of the pledged revenue. Principal and net interest remaining to be paid on the proprietary fund debt is approximately \$105,653,000, based on market interest rates effective on June 30, 2016.

Loans payable as of June 30, 2016 consist of loans payable to the Public Building Authority of Sevier County (Authority). The loan agreements provide for the Authority to issue variable rate local government improvement bonds and loan the proceeds to the City on an as needed basis for various capital projects. In connection therewith, the Authority, under these loan agreements, at the request of and on behalf of the City, has entered into an interest rate swap agreement for certain of these local government improvement bonds.

Also see Note 16 related to conduit debt of the City's component unit (IDB).

Interest Rate Swap

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by city governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. This GASB statement requires most derivatives to be reported at fair value in the statement of net assets. Changes in fair value for derivative instruments that are reported like investment derivative instruments because of ineffectiveness are reported as changes in the statement of activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the statement of net position as deferrals. Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap agreement described below did not meet that criteria and therefore is classified as an investment derivative.

Objective of the Interest Rate Swap - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Authority, on behalf of the City, entered into an interest rate swap in connection with its \$13 million bond issue which has now been refunded to Series VII-K-1. The intention of the swap is to effectively change the City's variable interest rates on the bonds to synthetic fixed rates.

Terms - Under the swap, the Authority pays the counterparty a fixed payment of 4.44% and receives a variable payment computed as 63.1% of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$13 million. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-K-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The related swap agreement matures on June 1, 2030. As of June 30, 2016, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.44%
Variable Payment from Counterparty	% LIBOR	<u>-0.62%</u>
Net Interest Rate Swap Payments		3.82%
True Interest Cost		<u>1.05%</u>
Synthetic Interest Rate on Bonds		<u>4.88%</u>

NOTE 10 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

The terms and rates of the outstanding swap as of June 30, 2016, were as follows.

<u>Associated Debt Issue</u>	<u>Original Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Synthetic Rate</u>	<u>Swap Termination Date</u>
Business-Type Activities						
Loan Payable to the Public Building Authority of Sevier County - Series IV-E-1 ¹	\$ 13,000,000	12/28/2001	4.44%	63.10% of 5 Year LIBOR	4.88%	06/01/2030

¹Refunded to Series V-H-1 previously and then to Series VII-K-1 in 2011

Fair Value - As of June 30, 2016, the swap has a negative fair value. The negative fair value of the swap may be countered by reductions in total interest payments required under the underlying bond, creating lower synthetic rates. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows to their present value.

The current notional and fair value amounts of the outstanding swap as of June 30, 2016, were as follows.

<u>Associated Debt Issue</u>	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2016</u>		<u>June 30, 2016</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional Amount</u>
Business-Type Activities					
Investment Derivative:					
Loan Payable to the Public Building Authority of Sevier County - Series IV-E-1 ¹	Interest and Investment Earnings	\$ (532,928)	Deferred Inflow of Resources	\$(3,134,420)	\$11,845,000

¹Refunded to Series V-H-1 previously and then to Series VII-K-1 in 2011

Credit Risk - As of June 30, 2016, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baa2/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis Risk - The Series IV-E-1 swap exposes the City to basis risk should the rate on the bonds increase to above 63.10% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.10% of LIBOR, then the synthetic rate on the bonds will decrease.

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

NOTE 10 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

Swap Payments and Associated Debt - As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain unchanged, for their terms were as shown below. As rates vary, variable-rate bond interest payments and net swap payments will vary. The following schedules do not include fees paid to administer the debt. These fees are expensed as incurred and are based on the amount of principal outstanding.

Annual debt service requirements to maturity of the primary government for the bonds and loans payable based on contractual requirements as of June 30, 2016 are as follows:

Governmental Activities:

Year Ending June 30,	General Obligation Bonds		Loans Payable to Public Building Authority		Total
	Principal	Interest	Principal	Interest	
2017	\$ 3,816,896	\$ 2,123,670	\$ 100,000	\$ 861,000	\$ 3,916,896
2018	3,921,896	1,987,707	125,000	856,000	4,046,896
2019	4,061,896	1,835,600	150,000	849,750	4,211,896
2020	4,171,896	1,678,750	175,000	842,250	4,346,896
2021	3,309,686	1,522,544	1,015,000	833,500	3,324,686
2022-2026	13,377,636	6,280,683	5,575,000	3,368,250	18,952,636
2027-2031	12,700,756	3,762,086	8,360,000	1,651,500	21,060,756
2032-2036	12,545,000	1,798,776	1,720,000	174,500	14,265,000
2037-2041	2,800,000	93,613	0	0	2,800,000
	<u>\$ 59,705,662</u>	<u>\$ 21,083,429</u>	<u>\$ 17,220,000</u>	<u>\$ 9,436,750</u>	<u>\$ 76,925,662</u>
					<u>\$ 30,520,179</u>

Business-Type Activities:

Year Ending June 30,	General Obligation Bonds				Loans Payable to Public Building Authority*				Total	
	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Principal	Interest	Interest Swaps, Net	Principal	Net Interest	Interest Swaps, Net
2017	\$ 393,104	\$ 3,480,709	\$ (1,331,598)	\$ 2,149,111	\$ 410,000	\$ 124,814	\$ 452,671	\$ 803,104	\$ 2,273,925	\$ 452,671
2018	398,104	3,465,910	(1,331,598)	2,134,312	435,000	120,493	437,002	863,104	2,254,805	437,002
2019	403,104	3,450,415	(1,331,598)	2,118,817	460,000	115,910	420,378	863,104	2,234,727	420,378
2020	403,104	3,434,681	(1,331,598)	2,103,083	485,000	111,063	402,799	888,104	2,214,146	402,799
2021	470,314	3,418,427	(1,331,598)	2,086,829	765,000	105,952	384,264	1,235,314	2,192,781	384,264
2022-2026	3,142,334	16,720,284	(6,657,989)	10,062,295	4,560,000	398,940	1,446,865	7,702,334	10,461,235	1,446,865
2027-2031	11,454,253	14,838,457	(6,176,823)	8,661,634	4,730,000	128,291	465,282	16,184,253	8,789,925	465,282
2032-2036	17,950,000	9,897,750	(4,194,056)	5,803,694	0	0	0	17,950,000	5,803,694	0
2037-2041	17,150,000	3,117,188	(1,307,660)	1,809,528	0	0	0	17,150,000	1,809,528	0
	<u>\$ 51,764,317</u>	<u>\$ 61,923,821</u>	<u>\$ (24,994,518)</u>	<u>\$ 36,929,303</u>	<u>\$ 11,845,000</u>	<u>\$ 1,105,463</u>	<u>\$ 4,009,261</u>	<u>\$ 63,609,317</u>	<u>\$ 38,034,766</u>	<u>\$ 4,009,261</u>

* Includes interest rate swap effective through 2030.

Component Unit Activities:

Year Ending June 30,	Public Facility Bonds	
	Principal	Interest
2017	\$ 350,000	\$ 2,294,375
2018	400,000	2,283,875
2019	400,000	2,267,875
2020	450,000	2,251,875
2021	2,000,000	2,238,375
2022-2026	11,000,000	9,693,750
2027-2031	13,925,000	6,762,500
2032-2036	19,975,000	2,893,750
	<u>\$ 48,500,000</u>	<u>\$ 30,786,375</u>

NOTE 11 - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Deferred Compensation Plan

The City, through its City of Pigeon Forge, Inc. Deferred Compensation Plan, a single employer plan administered by ERISA Services, Incorporated, provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of employment and attaining age 21. Participating employees may contribute up to the maximum amount allowable under IRS code. In order to receive the City’s 5% contribution, participating employees must also contribute a minimum of 5% to the plan. The City’s contributions for each employee (and interest allocated to the employee’s account) are fully vested after seven years of continuous service. Employees who leave employment or cease participation before seven years of service forfeit the City’s portion of contributions and the related interest. The amount forfeited may be used to reduce the City’s current period contribution requirement.

The following is a schedule of contributions to the deferred compensation plan for the fiscal year ending June 30, 2016:

Total Employee Contributions	\$ 701,005
City's Contributions to the Plan, Net of Forfeitures	<u>444,662</u>
Total Contributions to the Plan, Net of Forfeitures	<u>\$ 1,145,667</u>

Employee Retirement Plan

Effective June 1, 2006, the City froze its City of Pigeon Forge, Inc. Employees' Pension Plan, a single employer defined contribution plan which is also administered by ERISA Services, Incorporated. This plan no longer receives employee or employer contributions. Employees will continue to maintain account holdings (plus investment earnings/losses) in this plan and will be entitled to withdrawals as outlined in the plan document.

Other Post-Employment Benefits

The Governmental Accounting Standards Board (GASB) has established standards for the measurement, recognition, and reporting of other post-employment benefits (“OPEB”). OPEB includes post-employment benefits other than pension, which, for the City, is presently limited to post-employment health care (“the Plan”). GASB 45 requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the total unfunded liability.

Plan Description

The City provides certain post-employment benefits to former employees (including former commissioners). The City will allow the eligible former employees and their dependents to participate in the City’s health insurance plan and the City will pay all related premiums. Former employees that have attained the age of 62 and have at least 15 years of consecutive services may obtain health insurance coverage for up to 36 continuous months. The City will also provide health insurance coverage, for employees that are deemed 100% disabled and have at least 15 years of consecutive service, for a period of 18 to 29 months or until such time the employee becomes eligible for Social Security benefits. Former commissioners that have 15 years of service and do not have availability of Medicare or any other type of health insurance coverage may obtain health insurance coverage for up to 36 continuous months.

Funding Policies

The City recognizes its share of the cost of post-employment health care benefits as an expense as premiums are paid. These benefits are funded by the City on a pay-as-you-go basis.

NOTE 11 - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed in 2016 to determine the projected liabilities of the Plan as of that date as well as the employer's Annual Required Contribution (ARC). Such valuation is required to be performed every two years. ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Plan contains both active employees and retirees. The City made contributions to provide benefits to eligible retired individuals and made no additional contributions to the Plan. The components of the City's annual OPEB cost for the fiscal year, the amount contributed, and changes to the OPEB obligation for the year ended June 30, 2016 are as follows:

Annual Required Contribution	\$ 99,386
Interest On Net OPEB Obligation	7,274
Adjustments to Annual Required Contribution	<u>(11,193)</u>
Annual OPEB Cost	95,467
Contributions Made	(43,134)
Implicit Rate Subsidy	<u>(16,093)</u>
Increase in Net OPEB Obligation	36,240
Net OPEB Obligation - Beginning of Year	181,855
Net OPEB Obligation - End of Year	<u>\$ 218,095</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 99,386	59.6%	\$ 218,095
June 30, 2015	\$ 90,773	33.1%	\$ 181,855
June 30, 2014	\$ 89,903	23.3%	\$ 123,633

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The City has chosen not to establish a trust for these benefits. The City will evaluate the funding status each year and will obtain actuarial valuations of the potential liability on a bi-annual basis. The actuarial accrued liability for benefits was \$960,400. The covered payroll (annual payroll of active employees covered by the plan) was \$13,792,808, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Valuations, Methods and Assumptions

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 City and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and medical trend rate of 4.5%. The estimated actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

NOTE 12 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS

Sevier Solid Waste, Inc.

In 1988, the City entered into a joint venture with the City of Gatlinburg, the City of Sevierville, and Sevier County to create Sevier Solid Waste, Inc. Sevier Solid Waste, Inc. is a non-profit organization created under the laws of the State of Tennessee for the purpose 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 inter-local 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 25% vote. The Public Building Authority of Sevier County issued in 1995 the 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 26.19%. In 1999, the Public Building of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of \$2,500,000 to finance the capital needs of Sevier Solid Waste, Inc., with the City's pro-rata portion being 26.9%. 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 Pigeon Forge issued \$1,635,000 in bonds (included in Series 2009 refunding bonds) for its portion of the outstanding Sevier Solid Waste Facility Bonds (see Note 10). 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. For the year ended June 30, 2016, the City's portion of solid waste disposal services performed was \$843,867. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 943 Center View Road, Sevierville, Tennessee 37862.

Sevier Water Board, Inc.

In 1994, the City entered into a joint venture with the City of Gatlinburg, the City of Sevierville, and Sevier County to create the Sevier Water Board, Inc. Sevier Water Board, Inc. is a non-profit 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 inter-local cooperation agreement, dated December 14, 1994, was entered into 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 Pigeon Forge, through an inter-local agreement with Sevier County, the City of Gatlinburg, 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 PBA of Sevier County to issue Adjustable Rate Local Government Public Improvement Bonds, Series I-A-1. Through a loan agreement between the participating governments dated June 1, 1996, the City of Pigeon Forge's percentage of ownership and liability was determined to be 44%. 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 Pigeon Forge issued \$1,420,000 in bonds (included in Series 2009 refunding bonds) for the refinancing of the City's share of the debt. Total investment in the Sevier Water Board, Inc. by the City of Pigeon Forge as of June 30, 2016 was \$6,000,522 (cost). The joint venture investment and the related debt are recorded in the Water and Sewer Fund. Financial statements of the Sevier Water Board, Inc. are available at the City of Pigeon Forge.

Gatlinburg Airport Authority, Inc.

The City of Pigeon Forge, Tennessee appropriated \$100,000 to the Gatlinburg Airport Authority, Inc. (Airport) for the year ended June 30, 2016. The Cities of Gatlinburg and Pigeon Forge have equal representation of two members each on the board of the Airport. The two members representing each City are nominated by the respective City Manager, and the remaining fifth member of the board is a representative of the Sevier County industrial community chosen by consultation between the respective Cities. All members of the Airport's board of commissioners shall be considered for appointment by the City of Gatlinburg's board of commissioners and appointed by a majority vote thereof. Both Cities have agreed to make annual payments to the Airport to be used for operation, maintenance and improvements. Complete financial statements for the Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Airport's administrative office at Sevier County Industrial Park, Dolly Parton Parkway, Sevierville, Tennessee 37862.

NOTE 12 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS (Continued)

Sevier County Economic Development Council, Inc.

The Sevier County Economic Development Council, Inc. (Council) is jointly operated by Sevier County and the cities of Sevierville, Pigeon Forge, and Gatlinburg, and various local private enterprises. The City provides an operating contribution to the Council to assist in its purpose to coordinate the governmental and private sector activities in attracting businesses and industries to the Sevier County area. The Council’s board is comprised of 12 members, one of whom represents the City of Pigeon Forge. The City has no financial obligation related to the Council other than its budgeted annual operating contribution.

Pigeon Forge Housing Bureau

During 2013, the City entered into a joint venture with the Pigeon Forge Hospitality Association to create the Pigeon Forge Housing Bureau (“PFHB”). The purpose of the PFHB is to provide event organizers in Pigeon Forge the ability to offer to its participants lodging within the corporate limits of the City at locations of the event sponsor’s choosing, with the ability for event attendees to obtain their lodging through a central location. The City has no financial obligation related to PFHB other than its budgeted annual operating contribution.

NOTE 13 - MANAGEMENT CONTRACT - SEWER PLANT

The City’s sewage treatment plant is operated under a contract by Veolia Water North America (VWNA). VWNA charged \$174,780 per month in 2016, subject to annual adjustment, for its management services and is responsible for all operating expenses incurred by the sewer system. All property and equipment is retained and insured by the City. At the end of each year, if VWNA has operated for less than its budgeted amount, PSG retains 10% of the savings for its employees and returns 90% to the City of Pigeon Forge.

NOTE 14 - LEASE REVENUE AND INFRASTRUCTURE DEVELOPMENT FEES

The City leases property and facilities to the United States Postal Service. The initial term of the lease was for twenty years through September 2015, which has subsequently been extended through September 2020 with payments of \$5,222. The lease also has one five-year option renewal period remaining.

The City has also entered into a lease agreement to allow the use of a communications tower by a cellular provider company. The monthly lease payments are \$863 for five years through 2016. The lease has an option renewal period of five years.

The City receives monthly infrastructure development fees that range from \$1,198 to \$1,879 per month. The agreements require the payments to be made through various dates ending between 2022 and 2026.

Anticipated rent and fee income per these agreements is as follows:

<u>Fiscal Year Ended</u>	<u>Rent Income</u>	<u>Fee Income</u>
2017	\$ 62,666	\$ 36,932
2018	62,666	36,932
2019	62,666	36,932
2020	62,666	36,932
2021	15,666	36,932
Thereafter	0	82,815
	<u>\$ 266,330</u>	<u>\$ 267,475</u>

Additionally, the City allows civic and non-profit organizations to use certain city facilities at no charge. No amounts have been recorded in these financial statements for the value of these services.

NOTE 15 - LEASE AGREEMENT FOR LECONTE CENTER

The City has entered into a lease agreement with the Board to lease the facilities, furnishings and equipment of the LeConte Center that was completed and opened in September, 2013. The initial term of the lease commenced as of August 23, 2011, the date of issuance of the Series 2011 bonds, and shall expire on June 1, 2036, unless terminated earlier. The scheduled lease payments from the City to the Board, which began on June 1, 2014, will mirror the bond interest and principal payments, due each December 1 and June 1. The City is responsible for all maintenance, operation and improvement costs of the leased property. The City has the option to purchase all leased property at any time at a price equal to the outstanding principal and interest due on the bonds and all costs associated with transferring the title of the property. The lease agreement states that the Board's interest in the leased property shall be transferred to the City upon this option purchase or on June 1, 2036, after the final payment of all outstanding Series 2011 bonds. Accordingly, this transaction has been recorded as a capital lease and upon completion of construction of the LeConte Center, in fiscal year 2014, all leased property was recorded as an asset of the City in the LeConte Center Fund with a corresponding lease liability to the Board and with a lease receivable (net investment in capital lease) recorded by the Board. The actual bond liability is recorded on the books of the Board.

Capital lease assets are included in capital assets in the accompanying statement of net position of the LeConte Center Fund and consist of the following as of June 30, 2016:

Land	\$ 3,185,168
Building	<u>51,796,102</u>
Total LeConte Center	54,981,270
Accumulated Amortization	<u>(3,560,983)</u>
Net Assets Under Capital Lease	<u>\$ 51,420,287</u>

Future minimum lease payments to the Board from the LeConte Center Fund under the capital lease agreement as of June 30, 2016:

<u>Fiscal Year Ended</u>	<u>Events Center</u>
2017	\$ 2,644,375
2018	2,683,875
2019	2,667,875
2020	2,701,875
2021	4,238,375
2022-2026	20,693,750
2027-2031	20,687,500
2032-2036	<u>22,968,750</u>
	79,286,375
Less Portion Representing Interest	<u>(30,786,375)</u>
Present Value of Minimum Lease Payments Under Capital Lease	48,500,000
Less Current Maturities	<u>(350,000)</u>
	<u>\$ 48,150,000</u>

The following lists the Board's components of the net investment in capital lease as of June 30, 2016:

Minimum Lease Payments Receivable	\$ 79,286,382
Less Unearned Income	<u>(30,595,177)</u>
Net Investment in Capital Lease	<u>\$ 48,691,205</u>

NOTE 16 - ECONOMIC DEVELOPMENT - PUBLIX SHOPPING CENTER

On January 28, 2015, the Board entered into an agreement with PFWV, LLC (the "Developer") to facilitate the construction of a Publix grocery store and other retail shopping in the City of Pigeon Forge, Tennessee. To encourage the development of the project for the benefit of the public, the Board has agreed to provide financial assistance by reimbursing the Developer for a total of up to \$3,000,000 to be paid upon reaching certain construction and occupancy milestones.

The Board and the City have entered into a separate capital contribution agreement to provide the funding to the Board for the Developer reimbursements discussed above. Funding provided by the City to the Board is to be made in conjunction with the same construction and occupancy milestones as agreed to with the Developer by the Board. The Developer has reached the first milestone by securing a lease agreement with Publix Tennessee, LLC for the operation of a grocery store on the land leased by the Developer from the Board, as discussed below, and accordingly the Board has received from the City and paid to the Developer \$1,000,000 in 2015. The second milestone was reached by the Developer by providing certification that the Publix Grocery Store was at least 50% complete. Accordingly, the Board received a capital contribution from the City and paid to the Developer \$1,000,000 in 2016. The remaining funding due from the City is recorded as capital contributions receivable and deferred inflows of resources in the Board's statement of net position and is expected to be received from the City and paid to the Developer in 2017 as the Publix Grocery Store was completed and opened in May 2016.

In addition, the Board also issued Revenue Bond (PFWV Project), Series 2015 in the amount of \$2,000,000 to finance construction and land acquisition by the Developer. The land was deeded by the Developer to the Board and then leased by the Board to the Developer for \$1 a year, plus payments in lieu of tax (PILOT). The bond, purchased by Smart Bank, is to be repaid by these PILOT payments, from the revenues and receipts derived from the project. Bond and lease payments are structured to offset, with both maturing January, 2035. The bond is secured by an assignment of lease payments, a Developer Assignment Agreement and personal guarantees of the developer and other related parties. The bond is considered to be conduit debt and accordingly the debt, payments and related assigned lease are not reported in the Board's statement of net position.

The Board also agreed to enter into a lease agreement with Publix Tennessee, LLC upon completion of the project to encourage them to equip the retail store with machinery, equipment, and other personal property. Rental payments during the term of this equipment lease, which took effect in May 2016, will also represent PILOT payments and will be credited against the PILOT payments on the land lease discussed above. The payments, as with the land lease, will be paid to Smart Bank, as the assignee of the Lease and holder of the above Revenue Bond (PFWV Project), Series 2015. Accordingly, this lease and related payments are not recorded in the Board's statement of net position. This lease agreement matures January 27, 2035.

NOTE 17 - NONCASH CAPITAL CONTRIBUTIONS

During 2016, the City granted a noncash capital contribution to the Board in the amount of \$112,573. This contribution resulted from a reduction in the balance due to the City of Pigeon Forge recorded in the statement of net position. The Board granted a noncash capital contribution to the City of Pigeon Forge representing the Board's purchase of additional machinery and equipment for use at the LeConte Center. This capital contribution made from the Board to the City's LeConte Center Fund was recorded in the amount of \$234,744.

Also see Note 20 for other noncash capital contributions.

NOTE 18 - RISK MANAGEMENT

The City of Pigeon Forge purchases commercial insurance and participates in the Tennessee Municipal League Risk Management Pool to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the Pool and/or insurance company. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three years.

Coverage through the Pool is for payment of damage claims and to defend the City in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City has the responsibility of following any reporting requirements, including timely reporting of any incidents that might result in a damage claim. The City is to do everything necessary to protect the rights of recovery of the Pool and enforcement of these rights by complying with all terms of the policy. The Pool has the right to apply premium rate changes as necessary.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

The City is involved from time to time in eminent domain condemnation proceedings. The City deposits funds with the Circuit Court for Sevier County, Tennessee, based on the appraised value of the property, to be used for the acquisition of various parcels of land or land rights. The amounts deposited are recorded as land and land easements on the government-wide financials once the order of possession from the Court is awarded. If the Court has not issued an order of possession, the funds are treated as restricted deposits. The parcels are not deeded to the City until the case has been settled. Any difference between the deposited funds and the final balance paid for the condemned property is adjusted in the year that the case is settled.

In April of 2006, the State of Tennessee approved the City's application for a Tourist Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. The City plans to invest up to \$179 million to develop new Qualified Public Use Facilities within the TDZ. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the state of Tennessee, included a civic events center, central trolley station, amphitheater and festival center. Other planned TDZ projects included a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, completed the new waste water treatment plant and construction of the new LeConte Center. The estimated cost of the ongoing improvements expected to be constructed, installed or improved within and for the TDZ are to be financed through the sale of bonds, with such bonds to be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements, pursuant to the authority set out in the Tennessee Convention Center and Tourism Development Financing Act of 1998. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately \$113 million through June 30, 2016 for the projects listed above and expects to issue the remaining debt and complete these projects over the next several years.

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

NOTE 20 - BASEBALL COMPLEX

The City has completed construction of a recreational complex that was opened to events in spring 2016. The complex includes baseball facilities and serves to promote sports tourism. The project consists of lighted baseball fields, a training area, batting cages, two-level clubhouse, and a concession and pavilion area. Each baseball field resembles a historic ballpark and is used to host youth baseball tournaments among other events. The City has issued two General Obligation Bonds related to the project totaling \$19,640,000, recorded in the governmental activities in the statement of net position. The City has established the Sports Facility Fund as a proprietary fund to account for the operations of the complex. At completion of the project, capital assets consisting of land, buildings, equipment, and infrastructure totaling \$30,385,646 were contributed from governmental activities to the Sports Facility Fund.

The City has entered into a management agreement with Ripken Pigeon Forge, LLC (RPF) to operate and manage the facilities of the complex for a period of ten years. The agreement calls for an annual fixed base fee of \$125,000 in operating year one and escalating thereafter. In addition to the fixed base fee, RPF is to receive an annual revenue percentage fee subject to maximum limitations. RPF is also to receive a productivity fee if certain revenue and facility utilization milestones are achieved.

Personnel providing operating services at the complex are employees of RPF. These wages and payroll-related expenses are included in personnel costs in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 21 - SUBSEQUENT EVENTS

In November 2016, the City authorized the issuance of \$9,175,000 General Obligation Refunding bonds. The issuance is intended to advance refund a portion of the Series 2008A General Obligation bonds.

On November 28, 2016 a wildfire in the Great Smoky Mountain National Park spread rapidly through areas of Sevier County due to severe winds. The loss of City-owned property was minimal; however, many of the area personal and business properties that generated various tax revenues were destroyed. At this time, it is not possible to measure with certainty the future financial impact to the City.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE, TENNESSEE

**SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF PIGEON FORGE'S
OTHER POST-EMPLOYMENT BENEFITS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2016	\$ 0	\$ 960,100	\$ 960,400	0.0%	\$ 13,792,808	7.0%
July 1, 2015	\$ 0	\$ 950,339	\$ 950,339	0.0%	\$ 13,142,231	7.2%
July 1, 2014	\$ 0	\$ 884,000	\$ 884,000	0.0%	\$ 12,146,348	7.3%

The City's other post-employment benefits are accounted for in accordance with GASB 45 which was adopted effective July 1, 2008. See Note 10 for actuarial assumptions and other information related to the City's other post-employment benefits.

OTHER SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	City Buildings	Construction	
ASSETS						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 71,597	\$ 310,350	\$ 381,947
Due from Other Funds	0	110,683	0	0	0	110,683
Restricted Assets:						
Cash	606,294	799,582	397,225	0	0	1,803,101
Receivables	46,754	0	0	0	0	46,754
TOTAL ASSETS	<u>\$ 653,048</u>	<u>\$ 910,265</u>	<u>\$ 397,225</u>	<u>\$ 71,597</u>	<u>\$ 310,350</u>	<u>\$ 2,342,485</u>
 LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 6,813	\$ 108,379	\$ 0	\$ 0	\$ 0	\$ 115,192
Due to Other Funds	0	3,715	0	0	0	3,715
Total Liabilities	<u>6,813</u>	<u>112,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>118,907</u>
 FUND BALANCES						
Restricted	646,235	798,171	397,225	0	0	1,841,631
Unrestricted:						
Assigned	0	0	0	71,597	310,350	381,947
Total Fund Balances	<u>646,235</u>	<u>798,171</u>	<u>397,225</u>	<u>71,597</u>	<u>310,350</u>	<u>2,223,578</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 653,048</u>	<u>\$ 910,265</u>	<u>\$ 397,225</u>	<u>\$ 71,597</u>	<u>\$ 310,350</u>	<u>\$ 2,342,485</u>

CITY OF PIGEON FORGE, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	City Buildings Fund	Construction Fund	
REVENUES:						
State Gasoline and Motor Fuel Tax (Intergovernmental)	\$ 257,085	\$ 0	\$ 0	\$ 0	\$ 0	\$ 257,085
State Sales Tax (Intergovernmental)	0	0	0	0	0	0
Fees and Charges for Services	0	1,217,822	0	0	0	1,217,822
Fines and Penalties	0	8,592	46,711	0	0	55,303
Interest and Dividends	0	854	0	15	466	1,335
Total Revenues	<u>257,085</u>	<u>1,227,268</u>	<u>46,711</u>	<u>15</u>	<u>466</u>	<u>1,531,545</u>
EXPENDITURES:						
Highways and Streets	93,725	0	0	0	0	93,725
Solid Waste/Sanitation	0	1,799,301	0	0	0	1,799,301
Drug Prevention	0	0	26,099	0	0	26,099
Capital Outlay	0	268,686	0	0	0	268,686
Debt Service	0	233,438	0	0	0	233,438
Total Expenditures	<u>93,725</u>	<u>2,301,425</u>	<u>26,099</u>	<u>0</u>	<u>0</u>	<u>2,421,249</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>163,360</u>	<u>(1,074,157)</u>	<u>20,612</u>	<u>15</u>	<u>466</u>	<u>(889,704)</u>
OTHER FINANCING SOURCES (USES):						
Transfers to Other Funds	0	0	0	0	0	0
Transfers from Other Funds	0	1,087,140	0	0	0	1,087,140
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,087,140</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,087,140</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>163,360</u>	<u>12,983</u>	<u>20,612</u>	<u>15</u>	<u>466</u>	<u>197,436</u>
FUND BALANCES, BEGINNING OF YEAR	<u>482,875</u>	<u>785,188</u>	<u>376,613</u>	<u>71,582</u>	<u>309,884</u>	<u>2,026,142</u>
FUND BALANCES, END OF YEAR	<u>\$ 646,235</u>	<u>\$ 798,171</u>	<u>\$ 397,225</u>	<u>\$ 71,597</u>	<u>\$ 310,350</u>	<u>\$ 2,223,578</u>

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - STATE STREET AID FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State Gasoline and Motor Fuel Tax	\$ 240,000	\$ 240,000	\$ 257,085	\$ 17,085
EXPENDITURES:				
Street Lighting Maintenance	75,000	75,000	73,934	1,066
Traffic Signal Maintenance	40,000	40,000	18,456	21,544
Street Repair and Maintenance	125,000	125,000	1,335	123,665
Total Expenditures	<u>240,000</u>	<u>240,000</u>	<u>93,725</u>	<u>146,275</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	163,360	163,360
FUND BALANCES, BEGINNING OF YEAR	<u>482,875</u>	<u>482,875</u>	<u>482,875</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 482,875</u></u>	<u><u>\$ 482,875</u></u>	<u><u>\$ 646,235</u></u>	<u><u>\$ 163,360</u></u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

SPECIAL REVENUE FUND - SOLID WASTE FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for Services	\$ 1,120,000	\$ 1,120,000	\$ 1,217,822	\$ 97,822
Fines and Penalties	12,000	12,000	8,592	(3,408)
Other Revenue	0	0	0	0
Interest	1,100	1,100	854	(246)
Total Revenues	<u>1,133,100</u>	<u>1,133,100</u>	<u>1,227,268</u>	<u>94,168</u>
EXPENDITURES:				
Personnel Costs	751,336	751,336	705,633	45,703
Supplies	221,036	232,036	178,186	53,850
Maintenance	34,978	58,125	62,853	(4,728)
General Services	709,452	853,952	852,629	1,323
Capital Outlay	270,000	270,000	268,686	1,314
Debt Service	233,438	233,438	233,438	0
Total Expenditures	<u>2,220,240</u>	<u>2,398,887</u>	<u>2,301,425</u>	<u>97,462</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,087,140)</u>	<u>(1,265,787)</u>	<u>(1,074,157)</u>	<u>191,630</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	1,087,140	1,087,140	1,087,140	0
Total Other Financing Sources (Uses)	<u>1,087,140</u>	<u>1,087,140</u>	<u>1,087,140</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	0	(178,647)	12,983	191,630
FUND BALANCES, BEGINNING OF YEAR	<u>785,188</u>	<u>785,188</u>	<u>785,188</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 785,188</u>	<u>\$ 606,541</u>	<u>\$ 798,171</u>	<u>\$ 191,630</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - DRUG FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Fines and Penalties	\$ 30,000	\$ 30,000	\$ 46,711	\$ 16,711
Interest	10,000	10,000	0	(10,000)
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>46,711</u>	<u>6,711</u>
EXPENDITURES:				
Operating Supplies	12,468	12,468	6,727	5,741
Public Relations	4,500	4,500	6,167	(1,667)
Informant Payments	18,077	18,077	12,000	6,077
Other	3,355	3,355	1,205	2,150
Total Expenditures	<u>38,400</u>	<u>38,400</u>	<u>26,099</u>	<u>12,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,600	1,600	20,612	19,012
FUND BALANCES, BEGINNING OF YEAR	<u>376,613</u>	<u>376,613</u>	<u>376,613</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 378,213</u>	<u>\$ 378,213</u>	<u>\$ 397,225</u>	<u>\$ 19,012</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor Program	CFDA Number	Grant Number Contract Number	Expenditures
Federal Awards			
Institute of Museum and Library Services:			
Passed through the Tennessee Office of the Secretary of State:			
Grants to States	45.310	LS-00-15-0043-15	\$ <u>2,308</u>
Total Institute of Museum and Library Services			<u>2,308</u>
U.S. Department of Homeland Security:			
U.S. Department of Homeland Security Direct Assistance:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FF-00185	60,763
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00342	<u>64,192</u>
Total CFDA Number 97.083			<u>124,955</u>
Total U.S. Department of Homeland Security Direct Programs			<u>124,955</u>
Total U.S. Department of Homeland Security			<u>124,955</u>
U.S. Department of Justice:			
U.S. Department of Justice Direct Assistance:			
Bulletproof Vest Partnership Program	16.607	2016	<u>4,478</u>
Total U.S. Department of Justice			<u>4,478</u>
U.S. Department of Transportation:			
Passed through the Tennessee Department of Transportation:			
Formula Grants for Rural Areas	20.509	TN-18-X31-02	19,905
Formula Grants for Rural Areas	20.509	TN-18-X034-00	154,138
Formula Grants for Rural Areas	20.509	TN-2016-001-00	<u>119,910</u>
Total CFDA Number 20.509			<u>293,953</u>
Total Passed through the Tennessee Department of Transportation			<u>293,953</u>
Total Federal Awards			<u>425,694</u>
State Awards			
Tennessee Department of Transportation:			
Trolley Operating Assistance Grant		Z-16-UROP17-00	606,100
Trolley Rural Transportation		GG-16-48223-00	2,488
Trolley Rural Transportation		Z-16-RT0002-00	193,997
Trolley Rural Transportation		Z16-RT-0013-00	<u>59,955</u>
Total Awards from Tennessee Department of Transportation			<u>862,540</u>
Tennessee Department of Tourist Development:			
Department of Tourist Development Grant		49252	<u>40,000</u>
Total Awards from Tennessee Department of Tourist Development			<u>40,000</u>
Tennessee State Library and Archives:			
Library Serves and Technology Grant		30504-00315-107	<u>254</u>
Total Awards from Tennessee State Library and Archives			<u>254</u>
Total State Awards			<u>902,794</u>
Total Federal and State Awards			<u>\$ 1,328,488</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Pigeon Forge, Tennessee, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DIVISION
PROPRIETARY FUND - WATER AND SEWER
For the Year Ended June 30, 2016

	Water	Sewer	Total
OPERATING REVENUES:			
Fees and Charges for Services	\$ 8,263,749	\$ 6,019,346	\$ 14,283,095
Fines and Penalties	67,927	45,285	113,212
Other Revenues	249,197	49,376	298,573
Tap Fees	248,135	106,985	355,120
Total Operating Revenues	8,829,008	6,220,992	15,050,000
OPERATING EXPENSES:			
Purification	1,240,624	0	1,240,624
Transmission and Distribution	971,299	0	971,299
Sewer System	0	306,752	306,752
Sewer Treatment and Disposal	0	2,632,396	2,632,396
Customer Accounting and Collections	92,636	61,757	154,393
Administrative and General	619,547	159,027	778,574
Depreciation	1,226,336	817,558	2,043,894
Total Operating Expenses	4,150,442	3,977,490	8,127,932
OPERATING INCOME (LOSS)	4,678,566	2,243,502	6,922,068
NONOPERATING REVENUES (EXPENSES):			
Interest and Dividends	29,741	7,435	37,176
Debt Service Fees	(25,560)	(6,390)	(31,950)
Interest Expense	(700,744)	(1,051,116)	(1,751,860)
Loss on Disposal of Plant	0	(4,308,635)	(4,308,635)
Change in Fair Value of Investments	414	414	828
Change in Fair Value of Derivatives - Interest Rate Swap	(266,464)	(266,464)	(532,928)
Total Nonoperating Revenues (Expenses)	(962,613)	(5,624,756)	(6,587,369)
CHANGE IN NET POSITION	\$ 3,715,953	\$ (3,381,254)	334,699
NET POSITION, BEGINNING OF YEAR			46,521,378
NET POSITION, END OF YEAR			\$ 46,856,077

See Independent Auditor's Report.

OTHER UNAUDITED SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS - GOVERNMENTAL ACTIVITIES

As of June 30, 2016

	General Obligation Bonds Series 2012			General Obligation Refunding Bonds Series 2008A			Loans Payable to Public Building Authority VII-K-1		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 750,000	\$ 856,600	\$ 1,606,600	\$ 291,896	\$ 390,660	\$ 682,556	\$ 100,000	\$ 861,000	\$ 961,000
2018	775,000	837,850	1,612,850	291,896	378,984	670,880	125,000	856,000	981,000
2019	800,000	806,850	1,606,850	291,896	366,578	658,474	150,000	849,750	999,750
2020	825,000	774,850	1,599,850	291,896	354,902	646,798	175,000	842,250	1,017,250
2021	875,000	741,850	1,616,850	659,686	342,497	1,002,183	1,015,000	833,500	1,848,500
2022-2026	4,850,000	3,161,250	8,011,250	4,407,636	1,190,908	5,598,544	5,575,000	3,368,250	8,943,250
2027-2031	5,925,000	2,177,025	8,102,025	2,145,756	160,193	2,305,949	8,360,000	1,651,500	10,011,500
2032-2036	7,200,000	1,092,688	8,292,688	0	0	0	1,720,000	174,500	1,894,500
2037	1,625,000	56,875	1,681,875	0	0	0	0	0	0
	<u>\$ 23,625,000</u>	<u>\$ 10,505,838</u>	<u>\$ 34,130,838</u>	<u>\$ 8,380,662</u>	<u>\$ 3,184,722</u>	<u>\$ 11,565,384</u>	<u>\$ 17,220,000</u>	<u>\$ 9,436,750</u>	<u>\$ 26,656,750</u>

	General Obligation Bonds Series 2015			General Obligation Refunding Bonds Series 2009B			General Obligation Bonds Series 2014		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 365,000	\$ 233,485	\$ 598,485	\$ 2,075,000	\$ 365,913	\$ 2,440,913	\$ 335,000	\$ 277,012	\$ 612,012
2018	370,000	226,185	596,185	2,140,000	277,725	2,417,725	345,000	266,963	611,963
2019	380,000	218,785	598,785	2,230,000	186,775	2,416,775	360,000	256,612	616,612
2020	385,000	211,185	596,185	2,300,000	92,000	2,392,000	370,000	245,813	615,813
2021	395,000	203,485	598,485	0	0	0	380,000	234,712	614,712
2022-2026	2,085,000	896,225	2,981,225	0	0	0	2,035,000	1,032,300	3,067,300
2027-2031	2,325,000	660,580	2,985,580	0	0	0	2,305,000	764,288	3,069,288
2032-2036	2,650,000	328,750	2,978,750	0	0	0	2,695,000	377,338	3,072,338
2037	580,000	17,400	597,400	0	0	0	595,000	19,338	614,338
	<u>\$ 9,535,000</u>	<u>\$ 2,996,080</u>	<u>\$ 12,531,080</u>	<u>\$ 8,745,000</u>	<u>\$ 922,413</u>	<u>\$ 9,667,413</u>	<u>\$ 9,420,000</u>	<u>\$ 3,474,376</u>	<u>\$ 12,894,376</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS - BUSINESS-TYPE ACTIVITIES

As of June 30, 2016

	General Obligation Refunding Bonds Series 2009			Loans Payable to Public Building Authority Series VII-K-1 **		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 185,000	\$ 27,945	\$ 212,945	\$ 410,000	\$ 124,814	\$ 534,814
2018	190,000	21,470	211,470	435,000	120,493	555,493
2019	195,000	14,820	209,820	460,000	115,910	575,910
2020	195,000	7,410	202,410	485,000	111,063	596,063
2021	0	0	0	765,000	105,952	870,952
2022-2026	0	0	0	4,560,000	398,940	4,958,940
2027-2031	0	0	0	4,730,000	128,291	4,858,291
	<u>\$ 765,000</u>	<u>\$ 71,645</u>	<u>\$ 836,645</u>	<u>\$ 11,845,000</u>	<u>\$ 1,105,463</u>	<u>\$ 12,950,463</u>

	General Obligation Refunding Bonds Series 2008A			General Obligation Bonds Series 2010				
	Principal	Interest	Total	Principal	Coupon Interest	Treasury Rebate	Net Interest	Total Requirements
2017	\$ 208,104	\$ 278,514	\$ 486,618	\$ 0	\$ 3,174,250	\$ (1,331,598)	\$ 1,842,652	\$ 1,842,652
2018	208,104	270,190	478,294	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2019	208,104	261,345	469,449	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2020	208,104	253,021	461,125	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2021	470,314	244,177	714,491	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2022-2026	3,142,334	849,034	3,991,368	0	15,871,250	(6,657,989)	9,213,261	9,213,261
2027-2031	1,554,253	114,207	1,668,460	9,900,000	14,724,250	(6,176,823)	8,547,427	18,447,427
2032-2036	0	0	0	17,950,000	9,997,750	(4,194,056)	5,803,694	23,753,694
2037-2041	0	0	0	17,150,000	3,117,188	(1,307,660)	1,809,528	18,959,528
	<u>\$ 5,999,317</u>	<u>\$ 2,270,488</u>	<u>\$ 8,269,805</u>	<u>\$ 45,000,000</u>	<u>\$ 59,581,688</u>	<u>\$ (24,994,518)</u>	<u>\$ 34,587,170</u>	<u>\$ 79,587,170</u>

** - Includes an interest rate swap with effective date through 2030.

CITY OF PIGEON FORGE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST
REQUIREMENTS - INDUSTRIAL DEVELOPMENT BOARD

As of June 30, 2016

	Public Facility Bonds Series 2011		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 350,000	\$ 2,294,375	\$ 2,644,375
2018	400,000	2,283,875	2,683,875
2019	400,000	2,267,875	2,667,875
2020	450,000	2,251,875	2,701,875
2021	2,000,000	2,238,375	4,238,375
2022-2026	11,000,000	9,693,750	20,693,750
2027-2031	13,925,000	6,762,500	20,687,500
2032-2036	19,975,000	2,993,750	22,968,750
	<u>\$ 48,500,000</u>	<u>\$ 30,786,375</u>	<u>\$ 79,286,375</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULES OF PROPERTY TAX INFORMATION
For the Year Ended June 30, 2016

CHANGES IN TAXES RECEIVABLE

	<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Balance at Beginning of Year	\$ 0	\$ 101,146	\$ 101,146
Add:			
2016 Taxes Levied	1,347,102	0	1,347,102
2015 Taxes Levied	1,247,113	0	1,247,113
Adjustments	16,583	0	16,583
	<u>2,610,797</u>	<u>0</u>	<u>2,610,797</u>
Less:			
Collections	<u>1,214,347</u>	<u>69,980</u>	<u>1,284,327</u>
TAXES RECEIVABLE BEFORE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS	1,396,450	31,166	1,427,616
Less:			
Allowance for Uncollectible Accounts	<u>17,417</u>	<u>773</u>	<u>18,190</u>
TAXES RECEIVABLE, NET	<u>\$ 1,379,033</u>	<u>\$ 30,393</u>	<u>\$ 1,409,426</u>

TAX ASSESSMENTS AND UNPAID BALANCES

Tax Year	Assessed Values	Tax Rate Per \$100	Total Levy	Adjustments, Collections, Releases and Abatements in Prior Years	Adjustments, Collections, Releases and Abatements in Current Year	Unpaid Balances
2016	\$ 673,550,755	0.200%	\$ 1,347,102	\$ 0	\$ 0	\$ 1,347,102
2015	623,556,399	0.200%	1,247,113	0	1,197,764	49,349
2014	622,888,555	0.200%	1,245,777	1,176,887	56,246	12,644
2013	611,092,097	0.200%	1,222,184	1,200,609	10,279	11,296
2012	606,722,480	0.200%	1,213,445	1,206,109	2,160	5,176
2011	605,096,338	0.200%	1,210,193	1,208,452	397	1,344
2010	642,934,304	0.124%	798,570	797,943	449	178
2009	641,429,200	0.124%	796,767	796,194	449	124
2008	632,897,787	0.124%	786,123	785,999	0	124
2007	608,140,605	0.124%	755,600	755,525	0	75
2006	574,949,812	0.124%	714,224	714,019	0	205
						<u>\$ 1,427,616</u>

Property taxes unpaid for periods prior to 2005 have been filed with the Sevier County Circuit Court Clerk.

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
WATER AND SEWER FUND
SCHEDULE OF WATER AND SEWER RATES
June 30, 2016

Within City Limits
Residential and Small Commercial

	<u>Water</u>	<u>Sewer</u>
First 2,000 Gallons	\$17.70 (Minimum)	\$17.70 (Minimum)
Over 2,000 Gallons	\$6.52/1,000 Gallons	\$6.52/1,000 Gallons

Outside City Limits
Residential and Small Commercial

	<u>Water</u>	<u>Sewer</u>
First 2,000 Gallons	\$26.53 (Minimum)	\$26.53 (Minimum)
Over 2,000 Gallons	\$9.44/1,000 Gallons	\$9.44/1,000 Gallons

SCHEDULE OF NUMBER OF CUSTOMERS BY MONTH
For the Year Ended June 30, 2016

July	5,175
August	5,129
September	5,139
October	5,132
November	5,123
December	5,141
January	5,124
February	5,143
March	5,149
April	5,147
May	5,168
June	5,177



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association,
Copyright © 2014, All Rights Reserved.

?
+

Water Audit Report for: City of Pigeon Forge
Reporting Year: 2016 / 7/2015 - 6/2016

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

		<----- Enter grading in column 'E' and 'J' ----->			
Volume from own sources:	+ ?	<input type="text" value="8"/>	<input type="text" value="1,626.772"/>	MG/Yr	+ ?
Water imported:	+ ?	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr	+ ?
Water exported:	+ ?	<input type="text" value="9"/>	<input type="text" value="124.470"/>	MG/Yr	+ ?

		Pcnt:	Value:	
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	<input type="text" value="8"/>	<input type="text" value="1,160.256"/>	MG/Yr
Billed unmetered:	+ ?	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr
Unbilled metered:	+ ?	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr
Unbilled unmetered:	+ ?	<input type="text" value="8"/>	<input type="text" value="57.693"/>	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

Click here: ?
for help using option
buttons below

		Pcnt:	Value:	
<input type="text" value="1.25%"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="57.693"/>	MG/Yr

Use buttons to select
percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: + ? MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ?	<input type="text" value="8"/>	<input type="text" value="35.884"/>	MG/Yr
Systematic data handling errors:	+ ?	<input type="text" value="6"/>	<input type="text" value="3.481"/>	MG/Yr

Apparent Losses: MG/Yr

		Pcnt:	Value:	
<input type="text" value="0.25%"/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

<input type="text" value="3.00%"/>	<input type="text" value=""/>	<input type="text" value="3.410"/>	MG/Yr
<input type="text" value="0.25%"/>	<input type="text" value=""/>	<input type="text" value="3.481"/>	MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	<input type="text" value="9"/>	<input type="text" value="152.5"/>	miles
Number of <u>active AND inactive</u> service connections:	+ ?	<input type="text" value="6"/>	<input type="text" value="5,062"/>	
Service connection density:	?	<input type="text" value=""/>	<input type="text" value="33"/>	conn./mile main

Are customer meters typically located at the curbstops or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? psi

COST DATA

Total annual cost of operating water system:	+ ?	<input type="text" value="10"/>	<input type="text" value="\$4,150,442"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	<input type="text" value="9"/>	<input type="text" value="\$6.52"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	<input type="text" value="8"/>	<input type="text" value="\$494.61"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 80 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

-
-
-



**AWWA Free Water Audit Software:
System Attributes and Performance Indicators**

WAS v5.0
American Water Works Association.
Copyright © 2014, All Rights Reserved.

Water Audit Report for:
Reporting Year: |

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="43.121"/>	MG/Yr
+ Real Losses:	<input type="text" value="241.232"/>	MG/Yr
= Water Losses:	<input type="text" value="284.353"/>	MG/Yr
? Unavoidable Annual Real Losses (UARL):	<input type="text" value="34.70"/>	MG/Yr
Annual cost of Apparent Losses:	<input type="text" value="\$281,149"/>	
Annual cost of Real Losses:	<input type="text" value="\$119,316"/>	Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="22.8%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="10.3%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="23.34"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="130.56"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="2.18"/>	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF PIGEON FORGE, TENNESSEE

SCHEDULE OF INVESTMENTS

As of June 30, 2016

	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 4 Years</u>
Investments:				
Primary Government:				
U.S. Treasuries	\$ 8,862,750	\$ 8,862,750	\$ 0	\$ 0
Tax-free Municipals	<u>2,762,624</u>	<u>2,762,624</u>	<u>0</u>	<u>0</u>
	<u>\$ 11,625,374</u>	<u>\$ 11,625,374</u>	<u>\$ 0</u>	<u>\$ 0</u>
Component Unit:				
Federated Prime Cash Obligation Fund	\$ <u>120,331</u>	\$ <u>120,331</u>	\$ <u>0</u>	\$ <u>0</u>

COMPLIANCE SECTION

KNOXVILLE OFFICE:
315 NORTH CEDAR BLUFF ROAD – SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660



OAK RIDGE OFFICE:
800 OAK RIDGE TURNPIKE – SUITE A404
OAK RIDGE, TENNESSEE 37830
TELEPHONE 865-769-1657

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Commissioners
City of Pigeon Forge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pigeon Forge as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Pigeon Forge's basic financial statements, and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

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

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

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



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Of Certified Public Accountants

Compliance and Other Matters

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

Purpose of this Report

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

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 22, 2016

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF CORRECTED PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

2015-001 Physical Safeguards of Fuel Pumps

Criteria or Specific Requirement - The City should maintain adequate physical safeguards and internal control over fuel pumping areas.

Condition - It was noted that there is a lack of physical safeguards and internal control over the City's fuel pumping area. Access to the area is not adequately restricted and the City's key fob and related monitoring software is not fully utilized.

Cause and Effect - Individuals pumping fuel cannot be held accountable for the amount of fuel pumped and business purpose. Limited safeguards and internal control increases the potential risk of undetected discrepancies or inappropriate transactions.

Recommendation - We recommend that the City physically restrict access to the fuel pumping area and develop a monitoring process to identify individuals and times that fuel has been pumped.

Management's Planned Corrective Actions - Management concurs with the facts of the finding and will implement procedures to provide physical safeguards and strengthened internal controls. The City plans to install security gates which will require individualized access codes during nonbusiness hours. Additionally, the City plans to install security cameras that will focus on the pumping area to provide continuous monitoring. Management is developing procedures to fully utilize the monitoring software in place to restrict the amount of fuel that can be pumped and provide a record of the specific individuals who pump fuel and the time it was pumped.

Current Year Update - Management's Planned Corrective Actions above from prior year were implemented as planned, and this matter is considered resolved.

