

PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

CITY OF PIGEON FORGE, TENNESSEE
General Obligation Refunding Bonds, Series 2016

OFFERED FOR SALE NOT SOONER THAN

Monday, November 7, 2016 at 11:15 A.M. E.S.T.
Through the Facilities of *PARITY*[®]
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2016

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 inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$9,995,000*
CITY OF PIGEON FORGE, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: Date of Delivery (assume November 30, 2016)

Due: June 1 (as indicated below)

The \$9,995,000* General Obligation Refunding Bonds, Series 2016 (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 June 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, 2022 and thereafter are subject to redemption prior to maturity on or after June 1, 2021.

Maturity					Maturity				
<u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u>		<u>CUSIP No.**</u>	<u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u>		<u>CUSIP No.**</u>
		<u>Rate</u>	<u>Yield</u>				<u>Rate</u>	<u>Yield</u>	
2017	\$ 60,000				2023	\$1,010,000			
2018	145,000				2024	1,130,000			
2019	450,000				2025	1,190,000			
2020	440,000				2026	1,250,000			
2021	890,000				2027	1,225,000			
2022	935,000				2028	1,270,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire PRELIMINARY 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 November __, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

November __, 2016

*Preliminary, Subject to Change

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

This Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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

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 *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

Issuer	City of Pigeon Forge, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	\$9,995,000* General Obligation Refunding Bonds, Series 2016 (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 certain Outstanding Bonds (as defined herein), and (ii) 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, 2021, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.
Bank 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.....	_____.
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”.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, <i>Tennessee Code Annotated</i> , as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers

*Preliminary, Subject to Change

and delivered through the facilities of the Depository Trust Company, New York, New York.

Disclosure In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (“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 *Preliminary 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 except for the omission of certain pricing and other information allowed to be omitted pursuant to Rule 15c2-12. For more information concerning the City or the *Preliminary 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. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850.7422.

GENERAL FUND

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Fund Balance	\$ 32,711,822	\$ 35,264,601	\$ 54,415,899	\$42,794,310	\$39,477,786
Revenues	36,491,396	39,887,981	41,141,745	42,055,698	46,470,302
Expenditures	32,672,556	46,078,175	51,395,449	44,267,152	57,869,327
Other Financing Sources:					
Transfers In	\$ 105,301	\$ -	\$ -	\$ -	\$ -
Transfers Out	(1,480,570)	(1,186,882)	(1,367,885)	(1,105,070)	(2,008,620)
Debt Issuance	17,235,000	26,528,374	-	-	-
Excess of Revenues Over (Under) Expenditures	2,552,779	19,151,298	(11,621,589)	(3,316,524)	6,540,117
Ending Fund Balance	<u>\$ 35,264,601</u>	<u>\$54,415,899</u>	<u>\$42,794,310</u>	<u>\$39,477,786</u>	<u>\$46,017,903</u>

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

SUMMARY NOTICE OF SALE

\$9,995,000*

CITY OF PIGEON FORGE, TENNESSEE General Obligation Refunding Bonds, Series 2016

NOTICE IS HEREBY GIVEN that the Mayor of the City of Pigeon Forge, Tennessee (the “City”) will receive electronic or written bids until **11:15 a.m. E.S.T. on Monday, November 7, 2016** for the purchase of all, but not less than all, of the City’s \$9,995,000* General Obligation Refunding Bonds, Series 2016 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:00 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume November 30, 2016). The Bonds will mature on June 1 in the years 2017 through 2028, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2017, and will be subject to optional redemption prior to maturity on or after June 1, 2021. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed four percent (4.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City’s Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF PIGEON FORGE, TENNESSEE

By: David Wear, Mayor

*Preliminary, subject to change.

DETAILED NOTICE OF SALE

\$9,995,000*

CITY OF PIGEON FORGE, TENNESSEE General Obligation Refunding Bonds, Series 2016

NOTICE IS HEREBY GIVEN that the Mayor of the City of Pigeon Forge, Tennessee (the “City”) will receive electronic or written bids until **11:15 a.m. E.S.T. on Monday, November 7, 2016** for the purchase of all, but not less than all, of the City's \$9,995,000* General Obligation Refunding Bonds, Series 2016 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale.” In case of written bids, bids will be received by the City’s Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:00 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance, bear interest payable each June 1 and December 1, commencing June 1, 2017, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature (subject to the right of redemption as hereinafter set forth) and be payable as followings:

<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Maturity (June 1)</u>	<u>Amount*</u>
2017	\$ 60,000	2023	\$ 1,010,000
2018	145,000	2024	1,130,000
2019	450,000	2025	1,190,000
2020	440,000	2026	1,250,000
2021	890,000	2027	1,225,000
2022	935,000	2028	1,270,000

Bank Qualification. The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. 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. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the

*Preliminary, subject to change.

name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the City and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. 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 of 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 certain Outstanding Bonds (as defined in the Preliminary Official Statement) and (ii) paying of the costs related to the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on and after June 1, 2022 will be subject to redemption prior to maturity at the option of the City on or after June 1, 2021 at the redemption price of par plus accrued interest as provided herein.

If less than all the Bonds shall be called for redemption, the City, in its discretion, shall designate the maturity or maturities which will be redeemed. If less than all of the Bonds within a single 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 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.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive

maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of four percent (4.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**[®] shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**[®]. The use of **PARITY**[®] facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**[®], potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the City's Financial Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the City's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the City to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the City to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the City reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust the original par amount of the Bonds by up to \$2,500,000. The primary factor to be considered in such adjustment is the amount of premium bid. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Financial Advisor (wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the City's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the City as liquidated damages.

In the event of the failure of the City to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the City to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriter expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the City.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel stating: (i) the reoffering prices (as shown in the bidder's winning bid); (ii) that the successful bidder will make a bona fide public offering of the Bonds at such reoffering prices; and (iii) that the successful bidder reasonably expects that the Bonds (or at least 10% of each maturity of the Bonds) will be sold to the public (excluding bond houses, brokers and other intermediaries) at those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the City confirming that nothing has come to the bidder's attention that would lead it to believe that its certification with respect to the reoffering prices of the Bonds given in connection with the award of the Bonds is inaccurate, and addressing such other matters as to the reoffering prices of the Bonds as bond counsel may request.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that 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 law alternative minimum tax imposed on individuals and corporations. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds, reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a continuing disclosure certificate (the "Disclosure Certificate") in 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 each of the City's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the City's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given to the successful bidder. Delivery will be made in book-entry-only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the City. The City will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The City has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds.

Acceptance of the bid will constitute a contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF PIGEON FORGE, TENNESSEE

By: David Wear
Mayor

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BID FORM – BONDS

The Honorable David Wear
 225 Pine Mountain Road
 Pigeon Forge, Tennessee 37868-1350

November 7, 2016

Dear Mr. Wear:

For your legally issued, properly executed \$9,995,000* General Obligation Refunding Bonds, Series 2016 (the “Bonds”) of City of Pigeon Forge, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$ _____).

The Bonds shall be dated the date of issuance (assume November 30, 2016) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	Amount*	Rate	Maturity (June 1)	Amount*	Rate
2017	\$ 60,000	___	2023	\$ 1,010,000	___
2018	145,000	___	2024	1,130,000	___
2019	450,000	___	2025	1,190,000	___
2020	440,000	___	2026	1,250,000	___
2021	890,000	___	2027	1,225,000	___
2022	935,000	___	2028	1,270,000	___

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 2: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 3: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 4: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 5: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 6: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.

It is our understanding that the Bonds are offered for sale as “qualified tax-exempt obligations” subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

Accepted for and on behalf of the
 City of Pigeon Forge, Tennessee, this
 7th day of November, 2016.

Respectfully submitted,

 David Wear, Mayor

Total interest cost from
 November 30, 2016 to final maturity \$ _____
 Less: Premium /plus discount, if any \$ _____
 Net Interest Cost..... \$ _____
 True Interest Rate _____ %

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

*Preliminary, Subject to Change

\$9,995,000*
CITY OF PIGEON FORGE, TENNESSEE
General Obligation Refunding Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY 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 \$9,995,000* General Obligation Refunding Bonds, Series 2016 (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 resolution (the “Resolution”) was adopted by the Council on September 26, 2016.

The Bonds are being issued for the purpose of (i) refinancing the Outstanding Bonds (as defined herein) and (ii) paying of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume November 30, 2016). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 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 November 30, 2016.

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.

*Preliminary, subject to change.

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

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council 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.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected in the same manner as described above for optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
*Final Maturity		

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, 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.

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. However, if the winning bidder certifies to the City that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry-Only System is not required.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-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) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the Official Statement, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the Official Statement, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the Official Statement, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the Official Statement, in final form, and having attached thereto a copy of the Official Statement, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a 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 will be offered for sale at competitive public bidding on November 7, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 31, 2016.

The successful bidder for the Bonds was an account led by _____, _____, _____ (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 \$ _____ (consisting of the par amount of the Bonds, less an underwriter’s discount of \$ _____ and less an original issue discount of \$ _____) or ____% 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 (1) fund reimbursements on its costs related to funding a baseball park that opened in early 2016 and (2) refunding the remaining portion of the Outstanding Debt that are not refunding with the Bonds. 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 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-18;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-19 and B-20;
3. Information about the Bonded Debt Service Requirements – General Obligation Fund as of the end of such fiscal year as shown on page B-21;
4. Information about Bonded Debt Service Requirements – Water System as of the end of such fiscal year as shown on page B-22;
5. The fund balances and retained earnings for the fiscal year as shown on page B-24;
6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-25;
7. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer for the fiscal year as shown on page B-26;
9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated appraised value of all taxable property for such year as shown on page B-32;
10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-32; and
11. The ten largest taxpayers as shown on page B-33.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the 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 PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to 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/ _____
Mayor

ATTEST:

/s/ _____
City Recorder

APPENDIX A

FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

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

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

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

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

2. The 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) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole

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

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

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

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

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

Yours truly,

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of 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 2014 combined enrollment of over 14,609 students and about 967 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 2014 enrollment was 6,031 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 2013 enrollment was 978 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. (See “RECENT DEVELOPMENTS” for more information.)

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	\$175,700	\$139,900	\$158,000	\$171,700	\$167,300
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	81.8%	72.6%	81.5%
% Persons with Income Below Poverty Level	14.80%	18.30%	17.7%	17.6%	23.9%
Median Household Income	\$53,482	\$44,621	\$42,499	\$30,885	\$34,167

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

POWER PRODUCTION

Douglas Dam. Douglas Dam is a hydroelectric dam on the French Broad River in Sevier County. The dam is operated by the Tennessee Valley Authority (“TVA”), which built the dam in world record time in the early 1940s to meet emergency energy demands at the height of World War II. Douglas Dam is a straight reinforced concrete gravity-type dam 1705 feet (520 m)

long and 202 feet (62 m) high, impounding the 28,420-acre (11,500 ha) Douglas Lake. The water used to generate power at Douglas is used again and again at the nine TVA hydroelectric plants located along the Tennessee River from Knoxville to Paducah, Kentucky. The generating capacity of Douglas's four units combined is 165,600 kilowatts of electricity. The dam was named for Douglas Bluff, a cliff overlooking the dam site prior to construction.

Source: Tennessee Valley Authority.

TOURISM

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

Source: Sevier County Economic Development Council.

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.

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.

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

Source: Pigeon Forge Convention Center.

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.

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.

Gatlinburg Convention Center and W.L. Mills Conference Center. Built in 1989, the Gatlinburg Convention Center offers over 148,000 square feet of flexible meeting and exhibit space. Total economic impact of the Convention Center from 1990 to 2008 was \$936,729,197.

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

Source: The City of Gatlinburg.

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. 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. 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.

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.

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

Source: The Knoxville Sentinel.

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 is has almost 2,000 businesses.

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

Source: Sevierville Convention Center.

Wilderness at the Smokies. Wilderness at the Smokies is an upscale waterpark resort including condos, hotels and nearby event center and golf course. There are 702 rooms total.

The resort is a part of the Bridgemont Project on the "billion-dollar highway" in Sevierville. The indoor waterpark is the first of its kind in the East Tennessee area and provides year round entertainment. Each Wilderness property, the condos and hotel, features an indoor and outdoor waterpark component with family raft rides, body slides, interactive child play structures, cabanas, hot spas and restaurants. Please see "RECENT DEVELOPMENTS" for information on construction of new projects.

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 May 2016, the unemployment rate for the Sevierville mSA and Sevier County stood at 3.4% with 50,960 persons employed out of a labor force of 52,760. As of May 2016, the unemployment rate in the Knoxville-Sevierville-Harriman-LaFollette CSA stood at 3.6%, representing 516,030 persons employed out of a workforce of 535,380.

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

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.

The Wild Eagle opened in March 2012 and is a wing coaster, the first ride of its kind in the U.S. This coaster was the centerpiece of a \$20 million expansion for the park. Season pass

sales in early 2012 were up 20 percent over the same time in 2011, an increase that is attributed to the new coaster.

Greenway. The Greenway is shaping up as 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.

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. Construction began in late 2011. 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. Phase Two is expected to be opened by the end of 2014 with a \$2.7 million show fountain and a 132 room four-star hotel. \$5 million were provided by the City of Pigeon Forge for infrastructure improvements, including a road connecting the Parkway.

In the summer of 2014 Phase Two opened several new tenants with 80 percent of the entire facility leased. 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.

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

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

Gatlinburg

Dogwood Plaza. In late 2010, developers bought the foreclosed Dogwood Plaza for \$10 million. The former tenants, the Hollywood Wax Museum and a restaurant Lineberger's, moved out in 2010. The Mellow Mushroom restaurant took their place in 2011. The developers are the owner-operators of the Mellow Mushroom chain. The Ole Smoky Distillery, which sells legal moonshine, opened for business in July of 2010. They now have two facilities in Sevier County and distribute its moonshine to 49 states, Canada, Latin America and the Caribbean.

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.

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.

LeConte Medical Center. A new facility, LeConte Medical Center, was completed in February of 2010 and replaced Fort Sanders Sevier facility. Fort Sanders Sevier Medical Center was a 79-bed acute care hospital that exceeded its capacity. Construction began in May of 2007 in the middle of the former Dan River property to build the new \$115 million project including a 200,000 square foot hospital, a branch of the Thompson Cancer Survival Center, and a medical office building. Dan River Inc., the county’s largest textile plant, closed its doors in early 2004 and was acquired by the County to be redeveloped into a new, larger hospital for the area.

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.

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 Center can hold up to 20,000 people and is already 50 percent booked through 2015.

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. 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: 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 ¹ (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	45,000,000
29,700,000	(2)(8) Loan Agreement, Series VII-K-1	June 2034	Variable/Synthetic	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	9,335,000
<u>\$ 205,610,000</u>	TOTAL BONDED DEBT			<u>\$ 189,035,000</u>
\$ 9,995,000	General Obligation Refunding Bonds, Series 2016	June 2037	Fixed	\$ 9,995,000
(9,285,000)	Less: Refunded Bonds (Series 2008A)			(9,285,000)
<u>\$ 206,320,000</u>	Less:			<u>\$ 189,745,000</u>
	NET BONDED DEBT			<u>\$ 189,745,000</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) 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					Unaudited 2016	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	\$ 126,034,863
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>	<u>\$ 126,034,863</u>
REVENUE SUPPORTED							
Water & Sewer System	\$ 66,518,779	\$ 66,078,779	\$ 65,633,779	\$ 65,108,799	\$ 64,364,000	\$ 63,595,058	\$ 63,710,137
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>	<u>\$ 63,710,137</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>	<u>\$ 189,745,000</u>
Less: Revenue Supported Debt	\$ (67,948,779)	\$ (67,048,779)	\$ (66,133,779)	\$ (65,108,799)	\$ (64,364,000)	\$ (63,595,058)	\$ (63,710,137)
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>	<u>\$ 126,034,863</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	\$ 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	1,898,376,376
Assessed Value	646,452,516	607,252,723	607,272,012	609,637,790	622,374,540	625,618,625	625,618,625

For Fiscal Years Ended June 30

DEBT RATIOS	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
TOTAL DEBT to Estimated Actual Value	5.17%	9.98%	9.84%	9.62%	10.30%	9.96%	10.00%
TOTAL DEBT to Appraised Value	5.61%	9.98%	9.84%	9.62%	10.30%	9.96%	10.00%
TOTAL DEBT to Assessed Value	17.19%	30.42%	29.95%	29.29%	31.18%	30.22%	30.33%
NET DIRECT DEBT to Estimated Actual Value	2.01%	6.35%	6.26%	6.11%	6.88%	6.61%	6.64%
NET DIRECT DEBT to Appraised Value	2.18%	6.35%	6.26%	6.11%	6.88%	6.61%	6.64%
NET DIRECT DEBT to Assessed Value	6.68%	19.37%	19.06%	18.61%	20.84%	20.05%	20.15%
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	30,748
Net Direct Debt to POPULATION	7,275	19,648	19,173	18,502	21,014	20,327	20,424
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	62.26%	98.75%	95.55%	90.01%	97.20%	94.69%	95.05%
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%	63.13%

(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 June 30, 2016

FY Ended	Existing General Obligation Debt (as of 06/30/16)			Less: Allocated Portion of General Obligation Refunding Bonds, Series 2008A			Plus: Allocated Portion of General Obligation Refunding Bonds, Series 2016			Total Bonded Debt Service Requirements			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal (1)	Interest (2)	TOTAL	
6/30													
2017	\$ 4,266,896	\$ 5,279,045	\$ 9,545,941	\$ -	\$ (183,289)	\$ (183,289)	\$ 52,570	\$ 59,564	\$ 112,134	\$ 4,319,466	\$ 5,155,320	\$ 9,474,786	3.43%
2018	4,446,896	5,177,581	9,574,478	-	(366,578)	(366,578)	125,280	118,735	244,015	4,572,176	4,879,738	9,451,914	
2019	4,611,896	4,953,226	9,565,122	(291,896)	(366,578)	(658,475)	418,304	117,607	535,911	4,738,304	4,704,255	9,442,558	
2020	4,796,896	4,772,875	9,569,771	(291,896)	(354,902)	(646,799)	410,811	113,424	524,235	4,915,811	4,531,397	9,447,208	
2021	5,324,686	4,594,419	9,919,105	(659,686)	(342,497)	(1,002,183)	770,714	108,905	879,619	5,435,714	4,360,828	9,796,541	19.03%
2022	5,533,931	4,369,208	9,903,138	(758,931)	(314,460)	(1,073,391)	850,785	100,042	950,827	5,625,785	4,154,789	9,780,575	
2023	5,647,310	4,128,626	9,775,936	(817,310)	(279,929)	(1,097,239)	885,268	89,407	974,675	5,715,268	3,938,105	9,653,373	
2024	6,019,879	3,882,989	9,902,868	(904,879)	(242,741)	(1,147,620)	947,600	77,456	1,025,056	6,062,600	3,717,704	9,780,304	
2025	6,169,069	3,617,142	9,786,211	(934,069)	(193,307)	(1,133,376)	947,096	63,716	1,010,812	6,182,096	3,481,551	9,663,647	
2026	6,582,448	3,344,719	9,927,167	(992,448)	(154,472)	(1,146,920)	974,847	49,509	1,024,356	6,564,847	3,239,757	9,804,603	42.95%
2027	6,850,827	3,050,547	9,901,374	(1,050,827)	(105,842)	(1,156,669)	999,706	34,399	1,034,105	6,799,706	2,979,104	9,778,810	
2028	6,904,207	2,743,614	9,647,820	(1,109,207)	(54,351)	(1,163,558)	1,023,090	17,904	1,040,994	8,200,000	2,707,167	9,525,256	
2029	8,200,000	2,467,288	10,667,288	-	-	-	1,023,090	-	-	7,205,000	2,102,113	9,307,113	
2030	7,205,000	2,102,113	9,307,113	-	-	-	-	-	-	5,840,000	1,812,525	7,652,525	70.61%
2031	5,840,000	1,812,525	7,652,525	-	-	-	-	-	-	6,255,000	1,563,550	7,818,550	
2032	6,255,000	1,563,550	7,818,550	-	-	-	-	-	-	6,480,000	1,294,075	7,774,075	
2033	6,480,000	1,294,075	7,774,075	-	-	-	-	-	-	6,720,000	1,001,925	7,721,925	
2034	6,720,000	1,001,925	7,721,925	-	-	-	-	-	-	7,100,000	699,125	7,799,125	
2035	7,100,000	699,125	7,799,125	-	-	-	-	-	-	7,685,000	408,350	8,093,350	97.78%
2036	7,685,000	408,350	8,093,350	-	-	-	-	-	-	2,800,000	93,613	2,893,613	100.00%
2037	2,800,000	93,613	2,893,613	-	-	-	-	-	-	2,800,000	93,613	2,893,613	100.00%
	\$ 125,439,942	\$ 61,306,552	\$ 186,746,494	\$ (7,811,149)	\$ (2,964,946)	\$ (10,776,095)	\$ 8,406,070	\$ 950,669	\$ 9,356,739	\$ 126,034,863	\$ 59,292,275	\$ 185,327,138	

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) Estimated Average Interest Rate of 1.502%.

CITY OF PIGEON FORGE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer System (Revenue and Tax)
 As of June 30, 2016

FY Ended June 30	Existing Water and Sewer Debt			Less: Allocated Portion of General Obligation Refunding Bonds, Series 2008A			Plus: Allocated Portion of General Obligation Refunding Bonds, Series 2016			Principal (L)	Net Interest (L)	TOTAL	% Principal Repaid
	Principal	Interest ³	Treasury Rebate	Principal	Interest	TOTAL	Principal	Interest ³	TOTAL				
2017	\$ 803,104	\$ 4,072,960	\$ (1,331,280)	\$ -	\$ (35,213)	\$ (35,213)	\$ 7,430	\$ 11,786	\$ 19,216	\$ 810,534	\$ 2,718,252	\$ 3,528,786	1.27%
2018	833,104	4,037,661	(1,331,280)	-	(70,427)	(70,427)	19,720	23,515	43,235	852,824	2,659,469	3,512,293	
2019	863,104	4,000,417	(1,331,280)	(8,104)	(70,427)	(78,530)	31,696	23,338	55,034	886,696	2,622,047	3,508,744	
2020	888,104	3,961,683	(1,331,280)	(8,104)	(70,103)	(78,206)	29,189	23,021	52,210	909,189	2,583,321	3,492,510	
2021	1,235,314	3,921,178	(1,331,280)	(100,314)	(69,758)	(170,072)	119,286	22,700	141,986	1,254,286	2,542,839	3,797,126	7.40%
2022	1,351,069	3,862,940	(1,331,280)	(66,069)	(65,495)	(131,564)	84,215	21,328	105,543	1,369,215	2,487,493	3,856,707	
2023	1,437,690	3,797,821	(1,331,280)	(107,690)	(62,489)	(170,179)	124,732	20,275	145,007	1,454,732	2,424,327	3,879,059	
2024	1,555,121	3,728,559	(1,331,280)	(170,121)	(57,589)	(227,710)	182,400	18,592	200,991	1,567,400	2,358,281	3,925,681	
2025	1,630,931	3,652,093	(1,331,280)	(235,931)	(49,423)	(285,354)	242,904	15,947	258,851	1,637,904	2,287,336	3,925,240	
2026	1,727,532	3,571,878	(1,331,280)	(277,552)	(38,098)	(315,650)	275,154	12,303	287,457	1,725,154	2,214,803	3,939,956	19.57%
2027	3,429,173	3,486,208	(1,331,280)	(234,173)	(24,498)	(258,671)	225,294	8,038	233,332	3,420,294	2,138,468	5,558,762	
2028	3,585,793	3,285,499	(1,285,146)	(263,793)	(13,024)	(276,817)	246,910	4,321	251,231	3,566,910	1,991,649	5,558,560	
2029	2,915,000	3,074,000	(1,236,706)	-	-	-	-	-	-	2,915,000	1,837,294	4,752,294	
2030	3,040,000	2,894,250	(1,186,797)	-	-	-	-	-	-	3,040,000	1,707,453	4,747,453	
2031	3,200,000	2,707,250	(1,135,421)	-	-	-	-	-	-	3,200,000	1,571,829	4,771,829	44.91%
2032	3,325,000	2,483,250	(1,041,475)	-	-	-	-	-	-	3,325,000	1,441,775	4,766,775	
2033	3,450,000	2,250,500	(943,860)	-	-	-	-	-	-	3,450,000	1,306,640	4,756,640	
2034	3,575,000	2,009,000	(842,575)	-	-	-	-	-	-	3,575,000	1,166,425	4,741,425	
2035	3,750,000	1,738,750	(737,620)	-	-	-	-	-	-	3,750,000	1,021,130	4,771,130	
2036	3,850,000	1,496,250	(627,527)	-	-	-	-	-	-	3,850,000	868,723	4,718,723	73.08%
2037	4,025,000	1,221,938	(512,481)	-	-	-	-	-	-	4,025,000	709,457	4,734,457	
2038	4,200,000	935,156	(392,205)	-	-	-	-	-	-	4,200,000	542,952	4,742,952	
2039	4,375,000	635,906	(266,699)	-	-	-	-	-	-	4,375,000	369,207	4,744,207	
2040	4,550,000	324,188	(135,964)	-	-	-	-	-	-	4,550,000	188,223	4,738,223	100.00%
	\$ 63,595,058	\$ 671,693,336	\$ (24,988,560)	\$ (1,473,851)	\$ (626,544)	\$ (2,100,395)	\$ 1,588,930	\$ 205,164	\$ 1,794,094	\$ 63,710,137	\$ 41,759,396	\$ 105,469,532	

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) Estimated Average Interest Rate of 1.545%.

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<i>Governmental Funds:</i>					
General	\$35,264,601	\$54,415,899	\$42,794,310	\$39,477,786	\$46,017,903
Other Governmental	<u>1,764,911</u>	<u>1,819,251</u>	<u>2,228,607</u>	<u>2,908,102</u>	<u>2,394,503</u>
TOTAL	<u>\$37,029,512</u>	<u>\$56,235,150</u>	<u>\$45,022,917</u>	<u>\$42,385,888</u>	<u>\$48,412,406</u>
<i>Proprietary Net Assets:</i>					
Water and Sewer	\$34,822,786	\$35,379,222	\$39,392,383	\$41,209,181	\$46,521,378
Events Center	<u>0</u>	<u>0</u>	<u>164,592</u>	<u>4,102,549</u>	<u>3,576,055</u>
TOTAL	<u>\$34,822,786</u>	<u>\$35,379,222</u>	<u>\$38,354,965</u>	<u>\$45,311,730</u>	<u>\$50,097,433</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Taxes	\$ 26,811,311	\$ 29,574,466	\$ 30,858,582	\$ 33,671,944	\$ 38,188,714
Licenses, Permits, Fines	120,727	289,691	202,921	300,962	251,166
Intergovernmental Rev.	5,789,770	6,312,937	6,472,876	4,309,857	4,318,422
Charges for Services	2,986,115	2,962,894	3,026,867	2,937,186	2,742,111
Fines and Costs	248,280	271,037	240,223	222,275	257,998
Interest	283,786	143,771	415,052	318,138	385,307
Other Revenue	251,407	333,185	(74,776)	295,336	326,584
Total Revenues	\$ 36,491,396	\$ 39,887,981	\$ 41,141,745	\$ 42,055,698	\$ 46,470,302
Expenditures:					
General Government	\$ 3,675,754	\$ 14,049,998	\$ 17,957,680	\$ 10,108,545	\$ 23,027,441
City Garage	604,833	593,472	612,236	634,714	672,706
Department of Tourism	9,684,739	10,743,964	10,903,611	11,319,309	11,537,914
Public Safety	8,253,853	9,695,412	8,129,423	9,940,065	9,389,088
Highways and Streets	1,588,157	1,547,725	1,901,595	2,000,049	2,645,548
Library Administration	366,194	370,172	366,764	390,700	416,586
Parks, Recreation & Events	2,963,960	3,016,365	3,462,475	3,881,205	3,723,606
Public Transportation	2,452,339	2,674,636	4,662,018	2,545,665	2,671,944
Debt Service	3,082,727	3,386,431	3,399,647	3,446,900	3,784,494
Total Expenditures	\$ 32,672,556	\$ 46,078,175	\$ 51,395,449	\$ 44,267,152	\$ 57,869,327
Excess of Revenues Over (Under) Expenditures	\$ 3,818,840	\$ (6,190,194)	\$ (10,253,704)	\$ (2,211,454)	\$ (11,399,025)
Other Financing Sources (Uses):					
Transfers In	\$ 105,301	\$ -	\$ -	\$ -	\$ -
Transfers Out	(18,606,362)	(1,186,882)	(1,367,885)	(1,105,070)	(2,008,620)
Debt Issuance	17,235,000	26,528,374	-	-	19,640,000
Premium on Debt Issuance	-	-	-	-	307,762
Bond Proceeds	-	-	-	-	-
Total	\$ (1,266,061)	\$ 25,341,492	\$ (1,367,885)	\$ (1,105,070)	\$ 17,939,142
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 2,552,779	\$ 19,151,298	\$ (11,621,589)	\$ (3,316,524)	\$ 6,540,117
Fund Balance July 1	\$ 32,711,822	\$ 35,264,601	\$ 54,415,899	\$ 42,794,310	\$ 39,477,786
Adjustments	-	-	-	-	-
Fund Balance June 30	\$ 35,264,601	\$ 54,415,899	\$ 42,794,310	\$ 39,477,786	\$ 46,017,903

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues:					
Fees & Charges for Services	\$ 8,279,541	\$ 9,854,989	\$ 10,810,072	\$ 11,994,094	\$ 13,638,222
Fines & Penalties	78,665	98,379	87,124	97,575	103,453
Other Revenues	42,600	51,538	131,160	87,807	91,487
Tap Fees	139,069	363,958	149,070	216,794	243,524
Total Operating Revenues	<u>\$ 8,539,875</u>	<u>\$ 10,368,864</u>	<u>\$ 11,177,426</u>	<u>\$ 12,396,270</u>	<u>\$ 14,076,686</u>
Operating Expenses:					
Purification	\$ 980,283	\$ 1,019,862	\$ 1,166,068	\$ 1,131,377	\$ 1,433,650
Transmission & Distribution	676,238	697,891	844,144	752,831	862,137
Sewer System	340,536	363,550	355,194	351,219	367,845
Sewer Treatment & Disposal	1,945,021	2,318,362	2,489,769	2,543,945	2,556,143
Customer Accounting & Collections	133,429	133,176	141,764	151,783	154,209
Administrative & General	673,949	665,761	700,837	851,149	787,035
Depreciation	1,339,854	1,335,866	1,339,958	1,376,313	1,411,865
Amortization	60,941	37,750	37,750	-	-
Total Operating Expenses	<u>\$ 6,150,251</u>	<u>\$ 6,572,218</u>	<u>\$ 7,075,484</u>	<u>\$ 7,158,617</u>	<u>\$ 7,572,884</u>
Operating Income	\$ 2,389,624	\$ 3,794,646	\$ 4,101,942	\$ 5,237,653	\$ 6,503,802
Nonoperating Revenues					
Expenses):					
Interest & Dividends	\$ 347,977	\$ 921,199	\$ 942,620	\$ 883,043	\$ 298,908
Gain on Sale of Capital Assets	-	-	-	-	-
TDZ Sales Tax Revenue	117,050	-	-	-	-
Investments Fees	(114,118)	(40,753)	(33,648)	(34,182)	(87,693)
Transfer from General Fund	-	-	-	-	-
Interest Expense	(1,757,451)	(2,694,447)	(2,820,447)	(2,172,995)	(1,284,790)
Change in Fair Value of Invesetments	(381,853)	(558,889)	(794,789)	(592,741)	(49,870)
Change in Fair Value of Derivatives	511,093	(1,637,631)	1,248,891	(6,296)	(68,160)
Total Nonoperating Expenses	<u>\$ (1,277,302)</u>	<u>\$ (4,010,521)</u>	<u>\$ (1,457,373)</u>	<u>\$ (1,923,171)</u>	<u>\$ (1,191,605)</u>
Income Before Contributions & Transfers	\$ 1,112,322	\$ (215,875)	\$ 2,644,569	\$ 3,314,482	\$ 5,312,197
Capital Contributions	-	-	-	-	-
Transfers	21,839	772,311	1,204,000	(295,674)	-
Changes in Net Assets	\$ 1,134,161	\$ 556,436	\$ 3,848,569	\$ 3,018,808	\$ 5,312,197
Net Assets, Beginning of Year	\$ 34,276,384	\$ 35,084,540	\$ 35,379,222	\$ 39,227,791	\$ 41,209,181
Adjustments	<u>(326,005)</u>	<u>(261,754)</u>	<u>-</u>	<u>(1,037,418)</u>	<u>-</u>
Fund Balance June 30	<u>\$ 35,084,540</u>	<u>\$ 35,379,222</u>	<u>\$ 39,227,791</u>	<u>\$ 41,209,181</u>	<u>\$ 46,521,378</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.

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 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2015.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ¹	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2015 Amount	Pct
2011	\$607,252,723	\$0.20	\$752,230	\$ 600,476	79.8%	\$ 1,568	0.2%
2012	607,272,012	0.20	1,211,335	1,097,457	90.6%	6,891	0.6%
2013	609,637,790	0.20	1,216,188	1,097,862	90.3%	21,922	1.8%
2014	622,374,540	0.20	1,241,202	1,176,887	94.8%	64,315	5.2%
2015	625,618,625	0.20	1,247,113	IN PROCESS			

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

Ten Largest Taxpayers. For the fiscal year ending June 30, 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.

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

	<u>Taxpayer</u>	<u>Product/Service</u>	<u>Assessment</u>	<u>Levied</u>
1.	Dollywood	Theme Park	\$34,913,285	\$ 69,827
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	8,687,600	17,375
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>\$97,207,671</u>	<u>\$194,411</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 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
\$10,164,333	\$10,551,960	\$11,015,340	\$11,672,654	\$12,884,885

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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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF PIGEON FORGE, TENNESSEE
FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION AND OTHER REPORT
For the Fiscal Year Ended June 30, 2015



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, 2015

David W. Wear
Kevin McClure
Joyce Brackins
Jay Ogle
Ken Maples
Earlene Teaster
Eric Brackins
Dennis Clabo
Jim Gass

Mayor
Vice-Mayor
Commissioner
Commissioner
Commissioner
City Manager
Assistant City Manager
City Recorder
City Attorney

FINANCIAL SECTION

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



PUGH & COMPANY, P.C.
www.pughcpas.com

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, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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 53 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 14, 2015, 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 14, 2015

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, 2015.

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 \$157,312,628 (net position). Of this amount, \$62,404,774 (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 \$9,541,065.
- The governmental funds had a current year excess of revenues and other financing sources over expenditures and other financing uses of \$6,026,519. As of the close of the June 30, 2015 fiscal year, the City's governmental funds reported combined ending fund balances of \$48,412,406. Approximately 84% 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 \$40,253,504, or approximately 70% 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, 2015.
- Construction of the Cal Ripken Baseball Park began in August 2014 with an original contract in the amount of \$22,465,000. Bond Series 2014 was issued in December 2014 in the amount of \$9,750,000 and Series 2015 was issued in February 2015 in the amount of \$9,890,000 to fund the baseball project. Construction costs to date are approximately \$18,000,000.

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 which is considered to be a major fund. Data from the other six 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 and events center 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 and LeConte Center 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 27 to 29 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 30 to 52 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 54 and 55 of this report. Budgetary comparison schedules for the Special Revenue Funds and Proprietary Funds are presented on pages 56 to 63 following the combining financial statements.

Other supplementary schedules are presented on pages 64 to 67, and other unaudited supplemental information is presented on pages 68 to 74.

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 \$157,312,628 at the close of the June 30, 2015 fiscal year.

By far the largest portion of the City's net position (approximately 59%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less 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, 2015 and 2014:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets and Deferred Outflows						
Current and Other Assets	\$ 56,078,494	\$ 46,475,875	\$ 29,179,351	\$ 45,379,384	\$ 85,257,845	\$ 91,855,259
Capital Assets, Net	137,668,276	122,352,302	140,572,036	124,868,620	278,240,312	247,220,922
Deferred Outflows of Resources	3,314,269	1,566,448	83,326	92,346	3,397,595	1,658,794
Total Assets and Deferred Outflows	\$ 197,061,039	\$ 170,394,625	\$ 169,834,713	\$ 170,340,350	\$ 366,895,752	\$ 340,734,975
Liabilities, Deferred Inflows and Net Position						
Liabilities:						
Current Liabilities	\$ 8,539,580	\$ 3,487,900	\$ 5,077,688	\$ 9,335,435	\$ 13,617,268	\$ 12,823,335
Noncurrent Liabilities	80,067,852	63,211,491	112,058,100	113,159,853	192,125,952	176,371,344
Total Liabilities	88,607,432	66,699,391	117,135,788	122,495,288	205,743,220	189,194,679
Deferred Inflows of Resources	1,238,412	1,235,401	2,601,492	2,533,332	3,839,904	3,768,733
Net Position:						
Net Investment in Capital Assets	65,560,825	63,337,946	27,203,869	29,015,814	92,764,694	92,353,760
Restricted	2,143,160	2,175,706	0	0	2,143,160	2,175,706
Unrestricted	39,511,210	36,946,181	22,893,564	16,295,916	62,404,774	53,242,097
Total Net Position	107,215,195	102,459,833	50,097,433	45,311,730	157,312,628	147,771,563
Total Liabilities, Deferred Inflows and Net Position	\$ 197,061,039	\$ 170,394,625	\$ 169,834,713	\$ 170,340,350	\$ 366,895,752	\$ 340,734,975

An additional portion of the City's net position (\$2,143,160 or approximately 1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$62,404,774) 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 increased by approximately \$9,603,000. This increase is partially due to bond proceeds not yet spent held in investment accounts from the issuance of bond series 2015 which is being used for the construction of the Cal Ripken Baseball Park. In addition, revenue collected exceeded cash expenditures, resulting in an increase in certificates of deposit.

Capital assets in governmental activities increased by approximately \$15,316,000 primarily due to the ongoing construction of the Cal Ripken Baseball Park.

Current and other assets in the business type activities decreased approximately \$16,200,000 primarily due to remaining bond proceeds being used to continue wastewater treatment plant construction. Capital assets in business type activities increased approximately \$15,703,000 primarily due to the continued construction of the wastewater treatment plant.

Current liabilities in the governmental activities increased by approximately \$5,052,000 due to an overall increase in general accounts payable, an increase in current portion of long term debt and a capital contribution payable to the Industrial Development Board for economic development. Current liabilities in the business type activities decreased by approximately \$4,258,000. This is due primarily to a decrease in accounts payable. These increases and decreases are attributable to ongoing project construction.

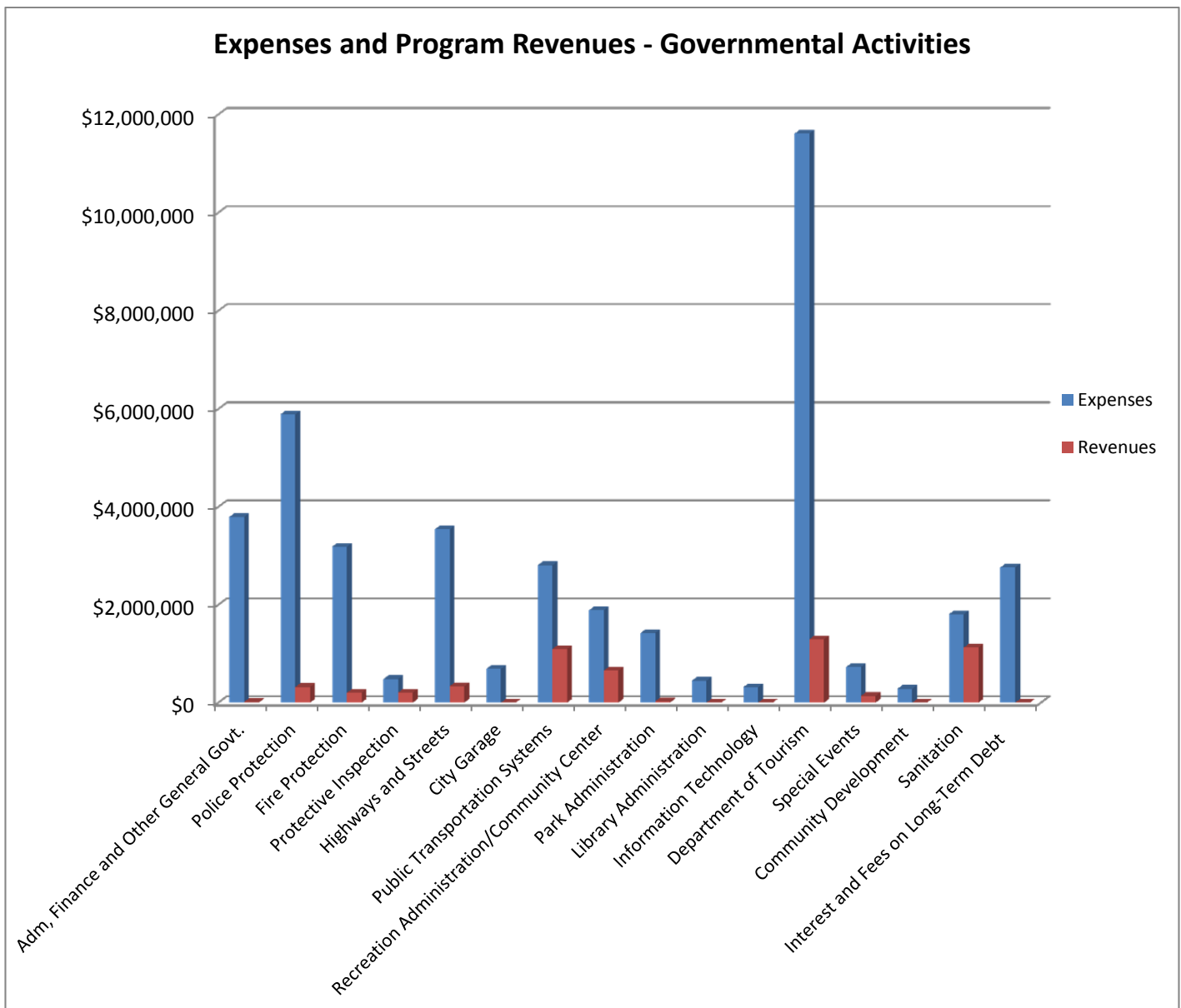
Noncurrent liabilities in the governmental activities increased by approximately \$16,856,000 primarily due to the issuance of bond series 2014 and 2015 to be used for the construction of the Cal Ripken Baseball Park. Noncurrent liabilities in the business type activities decreased by approximately \$1,102,000 primarily due to a reduction in scheduled debt service payments.

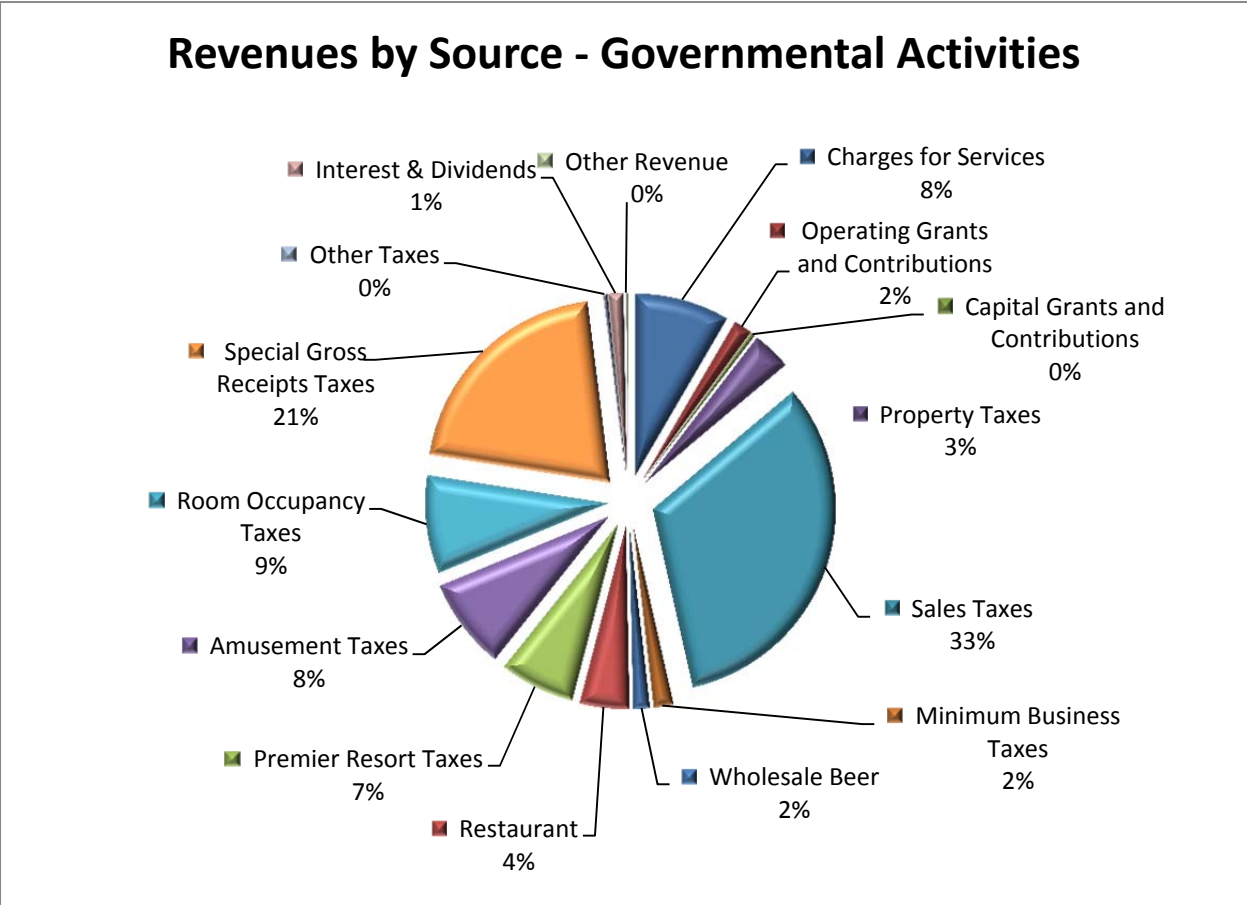
City of Pigeon Forge, Tennessee's Changes in Net Position for the Years Ended June 30, 2015 and 2014:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,378,875	\$ 4,593,249	\$ 14,734,423	\$ 12,627,273	\$ 19,113,298	\$ 17,220,522
Operating Grants and Contributions	858,196	568,232	0	0	858,196	568,232
Capital Grants and Contributions	191,876	472,176	0	0	191,876	472,176
General Revenues:						
Taxes:						
Property	1,793,868	1,746,962	0	0	1,793,868	1,746,962
Sales	16,978,195	15,074,955	0	0	16,978,195	15,074,955
Premier Resort	3,468,598	3,468,652	0	0	3,468,598	3,468,652
Minimum Business	906,142	944,282	0	0	906,142	944,282
Restaurant	2,278,193	808,541	0	0	2,278,193	808,541
Wholesale Beer	759,187	772,497	0	0	759,187	772,497
Special Gross Receipts	10,696,082	9,699,995	0	0	10,696,082	9,699,995
Amusement	4,206,990	3,986,030	0	0	4,206,990	3,986,030
Room Occupancy	4,518,785	3,907,335	0	0	4,518,785	3,907,335
Other Taxes	193,531	180,310	0	0	193,531	180,310
Gain (Loss) on Disposition of Capital Assets	(319,292)	229,057	0	0	(319,292)	229,057
Other General Revenues	842,541	853,546	298,908	883,043	1,141,449	1,736,589
Total Revenues	51,751,767	47,305,819	15,033,331	13,510,316	66,785,098	60,816,135
Expenses:						
Administration, Finance and Other						
General Government	3,793,998	3,653,967	0	0	3,793,998	3,653,967
Police Protection	5,894,120	5,540,432	0	0	5,894,120	5,540,432
Fire Protection	3,186,687	3,082,126	0	0	3,186,687	3,082,126
Protective Inspection	484,344	542,868	0	0	484,344	542,868
Highways and Streets	3,543,093	3,162,067	0	0	3,543,093	3,162,067
City Garage	691,335	655,643	0	0	691,335	655,643
Public Transportation Systems	2,809,211	3,105,841	0	0	2,809,211	3,105,841
Recreation Administration /						
Community Center	1,889,468	1,897,068	0	0	1,889,468	1,897,068
Park Administration	1,424,846	1,223,147	0	0	1,424,846	1,223,147
Library Administration	450,476	423,536	0	0	450,476	423,536
Information Technology	318,064	451,523	0	0	318,064	451,523
Department of Tourism	11,612,316	11,407,166	0	0	11,612,316	11,407,166
Special Events	730,572	682,049	0	0	730,572	682,049
Community Development	285,841	192,304	0	0	285,841	192,304
Sanitation	1,808,389	1,903,010	0	0	1,808,389	1,903,010
Interest and Fees on Long-Term Debt	2,764,931	2,492,350	0	0	2,764,931	2,492,350
Water and Sewer	0	0	8,945,367	9,365,793	8,945,367	9,365,793
Events Center	0	0	5,038,641	3,290,680	5,038,641	3,290,680
Net Losses on Investment Portfolio	336,901	204,710	49,870	592,741	386,771	797,451
(Increase) Decrease in						
Fair Value of Derivatives	0	0	68,160	6,296	68,160	6,296
Total Expenses	42,024,592	40,619,807	14,102,038	13,255,510	56,126,630	53,875,317
Capital Contributions, Net	(1,171,969)	(4,428,291)	54,566	5,570,457	(1,117,403)	1,142,166
Transfers	(3,799,844)	(1,131,503)	3,799,844	1,131,503	0	0
Increase in Net Position	4,755,362	1,126,218	4,785,703	6,956,766	9,541,065	8,082,984
Net Position - Beginning of Year	102,459,833	101,333,615	45,311,730	38,354,964	147,771,563	139,688,579
Net Position - End of Year	\$ <u>107,215,195</u>	\$ <u>102,459,833</u>	\$ <u>50,097,433</u>	\$ <u>45,311,730</u>	\$ <u>157,312,628</u>	\$ <u>147,771,563</u>

Governmental Activities - Governmental activities increased the City's net position in the current year by \$4,755,362 compared to \$1,126,218 in 2014. Key elements of this increase are as follows:

- Sales tax revenue increased approximately \$1,903,000, restaurant tax increased approximately \$1,470,000, gross receipts tax revenue increased approximately \$996,000, amusement tax revenue increased approximately \$221,000, and room occupancy tax revenue increased approximately \$611,000 primarily due to improved economic conditions.
- Highways and Streets increased approximately \$381,000 primarily due to more paving work completed during the current year.
- Park Administration increased approximately \$202,000 primarily due to moving concessions from the Community Center to Park Maintenance.
- Information Technology expense decreased approximately \$133,000 primarily due to fewer large projects being completed in the current year.
- Interest and Fees on Long-Term Debt increased approximately \$273,000 due to changes in variable rate debt and issuance of bond series 2014 and 2015.





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 and events center fund) increased the City's net position by \$4,785,703 in the current year, compared to an increase of \$6,956,766 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 activity increased by approximately \$2,107,000 primarily as a result of a rate increase in the current year in the water and sewer fund and twelve months of revenue from the Events Center in the current year compared to nine months of operations in the prior year.
- Other general revenues, consisting of interest income, decreased by approximately \$584,000 due to a reduction in interest on unspent bond proceeds in the current year.
- Water and sewer expenses decreased approximately \$420,000 due primarily to increased capitalization of interest expense.
- Total business-type activities expenses had a net increase of approximately \$847,000 compared to the prior year. This increase is primarily due to an increase in interest on capital lease, depreciation and other operating expenses for the LeConte Center in the current year due to its first full year of operations.
- The change in fair value of the interest rate swap (derivative) is recorded as an increase or decrease in net position. For 2015, the change was a decrease in fair value of \$68,160 as compared to a decrease in fair value of \$6,296 in 2014.
- The net loss on investment portfolio held by the business-type activities was a net loss of \$49,870 compared to a net loss in the prior year of \$592,741. This includes both realized and unrealized gains and losses on the portfolio.

Discretely Presented Component Unit – Industrial Development Board

	<u>Component Unit</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Current and Other Assets	\$ 2,234,141	\$ 294,282
Net Investment in Capital Lease	49,022,029	49,337,818
Capital Assets, Net	1,500	0
Total Assets	<u>\$ 51,257,670</u>	<u>\$ 49,632,100</u>
Liabilities:		
Current Liabilities	\$ 756,163	\$ 918,147
Noncurrent Liabilities	50,315,849	50,731,976
Total Liabilities	<u>51,072,012</u>	<u>51,650,123</u>
Deferred Inflows of Resources	<u>2,000,000</u>	<u>0</u>
Net position:		
Net Investment in Capital Assets	0	0
Restricted	232,890	293,037
Unrestricted	(2,047,232)	(2,311,060)
Total Net Position (Deficit)	<u>(1,814,342)</u>	<u>(2,018,023)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 51,257,670</u>	<u>\$ 49,632,100</u>

	<u>Component Unit</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Interest From Capital Lease	\$ 2,312,937	\$ 1,354,174
Interest and Dividends	151	24,058
	<u>2,313,088</u>	<u>1,378,232</u>
Expenses:		
Interest Expense	2,226,810	1,479,195
Change in Fair Value of Investments	0	2,110
Developer Contributions	1,000,000	0
	<u>3,226,810</u>	<u>1,481,305</u>
Increase (Decrease) in Net Position before Capital Contribution	(913,722)	(103,073)
Capital Contribution - to City of Pigeon Forge	(54,566)	(5,570,457)
Capital Contribution - from City of Pigeon Forge	<u>1,171,969</u>	<u>4,428,291</u>
Increase (Decrease) in Net Position	203,681	(1,245,239)
Net Position - Beginning of Year (Deficit)	(2,018,023)	(772,784)
Net Position - End of Year (Deficit)	<u>\$ (1,814,342)</u>	<u>\$ (2,018,023)</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 2015 and 2014 for the Board consist of interest revenue recognized from the LeConte Center lease agreement, however 2014 fiscal year interest revenue was only for a partial year. Current and prior year interest expense represents interest expensed for the related bond issue with 2014 being a partial year. A portion of the 2014 interest was also capitalized as construction period interest.

During 2015, the City granted a noncash capital contribution to the Board in the amount of \$171,969. 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 \$54,566.

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 first 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.

The capital contributions in 2014 between the City and the Board relate to the construction and transfer of the LeConte Center, as discussed in Note 14.

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 \$48,412,406, after a current year excess of revenues and other financing sources over expenditures and other financing uses of \$6,026,519. Approximately 84% of this ending fund balance, or \$40,634,971, constitutes unrestricted fund balance, which is available for spending at the government's discretion. The City has committed approximately \$70,846 of the unrestricted fund balance for future capital outlay and assigned approximately \$2,557,000 for various purposes. The restricted fund balance includes approximately \$9,405,000, less related debt, 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 \$40,253,504, while total general fund balance reached \$46,017,903. 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 70% of total general fund expenditures, while the total general fund balance represents approximately 80% of total general fund expenditures.

The fund balance of the City's general fund increased by \$6,540,117 during the current fiscal year. General fund revenues in 2015 increased over 2014 by approximately \$4,415,000 (see discussion on revenue increases noted above) during the fiscal year and general fund expenditures increased by approximately \$13,602,000. The following expense increases/decreases were noteworthy:

- Other General Government increased approximately \$12,521,000 primarily due to construction costs on the Cal Ripken Baseball Park and Old Mill Underground Utility Project.
- Fire Protection and Control decreased by approximately \$1,109,000 primarily due to the purchase of an aerial platform truck replacement in the prior year.
- Highways and Streets increased by approximately \$645,000 primarily due to more paving work done in the current year.

- Park Administration increased by approximately \$175,000 primarily due to moving concessions from the Community Center budget to Park Maintenance budget.
- Police increased by approximately \$610,000 primarily due to job vacancies being filled and more vehicles being purchased in the current year.
- Intergovernmental sales tax in other nonmajor governmental funds increased approximately \$428,000 due to increase in TDZ revenue. The amount varies from year to year based upon economic activity in the development zone.

Proprietary Fund. 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 \$22,893,564. 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 \$20,183,500.

The major adjustments are as follows:

- \$19,195,500 in increases allocated to Other General Government primarily due to construction costs on Jake Thomas Road Extension, Cal Ripken Baseball Park, contribution to Industrial Development Board for economic impact, greenway project, traffic signal, and Old Mill underground utilities that were incurred.
- \$143,000 in increases allocated to City Maintenance, primarily for the remaining costs associated with construction of office building that was originally budgeted but not completed in the prior year.
- \$286,100 in increases allocated to Highways and Streets, primarily for the replacement of a street sweeper that was totaled in an accident.

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, 2015, amounts to \$278,240,312 (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 \$733,000 of new vehicles for various departments.
- The City purchased various pieces of new equipment for approximately \$422,000 during the year.
- The City completed construction of a maintenance building in the amount of approximately \$230,000.
- The City completed the Riverwalk Road project in the amount of approximately \$4,893,000.
- The City completed two lift stations in the amount of approximately \$740,000.
- 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 and Middle Creek Lift Stations - \$678,000, Wastewater Treatment Plant and Reuse Line - \$14,652,000, Jake Thomas Water Tower - \$984,000, Old Mill Underground Utilities - \$470,000, Jake Thomas Road Extension - \$429,000, and Ripken Baseball Park Project - \$16,243,000.

Capital assets, net of depreciation, as of June 30, 2015 and 2014 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 45,112,844	\$ 45,663,035	\$ 3,683,938	\$ 3,683,938	\$ 48,796,782	\$ 49,346,973
Construction in Progress	30,425,129	17,476,913	47,042,599	29,548,542	77,467,728	47,025,455
Buildings	19,377,369	19,147,047	52,044,138	52,044,138	71,421,507	71,191,185
Improvements Other Than Buildings	11,077,157	10,960,935	13,447,164	13,447,164	24,524,321	24,408,099
Machinery and Equipment	5,441,166	5,200,423	2,407,928	2,249,674	7,849,094	7,450,097
Vehicles	14,158,191	15,033,640	1,007,346	956,074	15,165,537	15,989,714
Infrastructure	53,752,628	48,859,923	51,949,521	51,209,498	105,702,149	100,069,421
Accumulated Depreciation	(41,676,208)	(39,989,614)	(31,010,598)	(28,270,408)	(72,686,806)	(68,260,022)
	<u>\$ 137,668,276</u>	<u>\$ 122,352,302</u>	<u>\$ 140,572,036</u>	<u>\$ 124,868,620</u>	<u>\$ 278,240,312</u>	<u>\$ 247,220,922</u>

Additional information on the City's capital assets can be found in Note 7 on pages 39 through 41 of this report.

	Component Unit	
	2015	2014
Land	\$ 0	\$ 0
Construction in Progress - Event Center	1,500	0
Accumulated Depreciation	0	0
	<u>\$ 1,500</u>	<u>\$ 0</u>

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$196,130,953. 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, 2015 and 2014 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 63,596,721	\$ 47,056,942	\$ 52,148,258	\$ 52,798,057	\$ 115,744,979	\$ 99,854,999
Loans Payable to the Public						
Building Authority of Sevier County	17,235,000	17,235,000	12,230,000	12,325,000	29,465,000	29,560,000
Capital Lease	0	0	48,830,000	49,145,000	48,830,000	49,145,000
	<u>80,831,721</u>	<u>64,291,942</u>	<u>113,208,258</u>	<u>114,268,057</u>	<u>194,039,979</u>	<u>178,559,999</u>
Plus (Less) Premiums on Issuance	2,142,190	2,019,770	(51,216)	(48,404)	2,090,974	1,971,366
Total	<u>\$ 82,973,911</u>	<u>\$ 66,311,712</u>	<u>\$ 113,157,042</u>	<u>\$ 114,219,653</u>	<u>\$ 196,130,953</u>	<u>\$ 180,531,365</u>

The City's total debt increased by approximately \$15,600,000 (9%) during the current fiscal year. This change is primarily due to the issuance of bond series 2014 and 2015 to be used for the construction of the Cal Ripken Baseball Park.

	Component Unit	
	2015	2014
Public Facility Bonds Series 2011	\$ 48,830,000	\$ 49,145,000
Plus Premiums on Issuance	1,815,849	1,901,976
Total	<u>\$ 50,645,849</u>	<u>\$ 51,046,976</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 9 on pages 41 through 45 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 increased approximately \$1,739,000 due to \$2,000,000 in deferred capital contributions due to the Board for economic development in the Pigeon Forge community. 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 7.3%. During the current fiscal year, unrestricted fund balance in the general fund increased by \$7,148,633 to become \$40,253,504 at year-end.

The water and sewer fund budget for next year was prepared using a projected operating revenue increase of approximately 3.4%.

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, incurred continuing construction costs related to the construction of a new waste water treatment plant, and the new LeConte Center was completed in September 2013. 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, 2015 for the projects listed above and expects to issue the remaining debt and complete these projects over the next several years.

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, 2015

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Industrial Development Board
- ASSETS -				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 16,896,457	\$ 14,515,888	\$ 31,412,345	\$ 1,251
Certificates of Deposit	15,037,625	4,665,102	19,702,727	0
Receivables, Net	7,012,886	1,402,634	8,415,520	0
Net Investment in Capital Lease - Current Portion	0	0	0	330,000
Due from Component Unit	234,141	0	234,141	0
Capital Contributions Receivable	0	0	0	1,000,000
Inventories	371,420	288,166	659,586	0
Total Current Assets	<u>39,552,529</u>	<u>20,871,790</u>	<u>60,424,319</u>	<u>1,331,251</u>
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	3,411,127	1,338,482	4,749,609	0
Investments	9,404,574	968,557	10,373,131	232,890
Receivable - TDZ and Streets	3,710,264	0	3,710,264	0
Net Investment in Capital Lease	0	0	0	48,692,029
Capital Contributions Receivable	0	0	0	1,000,000
Investment in Joint Venture	0	6,000,522	6,000,522	0
Capital Assets				
Nondepreciable	75,537,973	50,726,537	126,264,510	1,500
Depreciable, Net of Accumulated Depreciation	62,130,303	89,845,499	151,975,802	0
Total Noncurrent Assets	<u>154,194,241</u>	<u>148,879,597</u>	<u>303,073,838</u>	<u>49,926,419</u>
Total Assets	<u>193,746,770</u>	<u>169,751,387</u>	<u>363,498,157</u>	<u>51,257,670</u>
- DEFERRED OUTFLOWS OF RESOURCES -				
Deferred Capital Contributions	2,000,000	0	2,000,000	0
Deferred Charge on Refunding	1,314,269	83,326	1,397,595	0
Total Deferred Outflows of Resources	<u>3,314,269</u>	<u>83,326</u>	<u>3,397,595</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 197,061,039</u>	<u>\$ 169,834,713</u>	<u>\$ 366,895,752</u>	<u>\$ 51,257,670</u>
- LIABILITIES -				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 4,322,894	\$ 1,774,172	\$ 6,097,066	\$ 0
Interfund Balances, Net	(1,657,441)	1,657,441	0	0
Due to Other Local Government	73,358	0	73,358	0
Due to Primary Government	0	0	0	234,141
Capital Contribution Payable	1,000,000	0	1,000,000	0
Accrued Interest	165,204	417,968	583,172	192,022
Taxes Payable	7,800	67,409	75,209	0
Compensated Absences	721,706	61,757	783,463	0
Long-Term Debt - Current Portion	3,906,059	1,098,941	5,005,000	330,000
Total Current Liabilities	<u>8,539,580</u>	<u>5,077,688</u>	<u>13,617,268</u>	<u>756,163</u>
NONCURRENT LIABILITIES				
Capital Contribution Payable	1,000,000	0	1,000,000	0
Long-Term Debt	79,067,852	112,058,100	191,125,952	50,315,849
Total Noncurrent Liabilities	<u>80,067,852</u>	<u>112,058,100</u>	<u>192,125,952</u>	<u>50,315,849</u>
Total Liabilities	<u>88,607,432</u>	<u>117,135,788</u>	<u>205,743,220</u>	<u>51,072,012</u>
- DEFERRED INFLOWS OF RESOURCES -				
Deferred Current Property Taxes	1,238,412	0	1,238,412	0
Derivative Instrument - Interest Rate Swap	0	2,601,492	2,601,492	0
Deferred Capital Contributions	0	0	0	2,000,000
Total Deferred Inflows of Resources	<u>1,238,412</u>	<u>2,601,492</u>	<u>3,839,904</u>	<u>2,000,000</u>
- NET POSITION -				
Net Investment in Capital Assets	65,560,825	27,203,869	92,764,694	0
Restricted	2,143,160	0	2,143,160	232,890
Unrestricted	39,511,210	22,893,564	62,404,774	(2,047,232)
Total Net Position (Deficit)	<u>107,215,195</u>	<u>50,097,433</u>	<u>157,312,628</u>	<u>(1,814,342)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 197,061,039</u>	<u>\$ 169,834,713</u>	<u>\$ 366,895,752</u>	<u>\$ 51,257,670</u>

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, 2015

FUNCTIONS AND PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Component Unit Industrial Development Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
Administration, Finance and Other	\$ 3,793,998	\$ 14,386	\$ 0	\$ 0	\$ (3,779,612)	\$ 0	\$ (3,779,612)	\$ 0
General Government	5,894,120	308,598	4,070	9,582	(5,571,870)	0	(5,571,870)	0
Police Protection	3,186,687	48,751	0	153,930	(2,984,006)	0	(2,984,006)	0
Fire Protection	484,344	208,626	0	0	(275,718)	0	(275,718)	0
Protective Inspection	3,543,093	89,511	247,065	0	(3,206,517)	0	(3,206,517)	0
Highways and Streets	691,335	0	0	0	(691,335)	0	(691,335)	0
City Garage	2,809,211	489,087	607,061	0	(1,713,063)	0	(1,713,063)	0
Public Transportation Systems	1,889,468	655,268	0	0	(1,234,200)	0	(1,234,200)	0
Recreation Administration/Community Center	1,424,846	0	0	28,364	(1,396,482)	0	(1,396,482)	0
Park Administration	450,476	3,966	0	0	(446,510)	0	(446,510)	0
Library Administration	318,064	0	0	0	(318,064)	0	(318,064)	0
Information Technology	11,612,316	1,296,477	0	0	(10,315,839)	0	(10,315,839)	0
Department of Tourism	730,572	137,975	0	0	(592,597)	0	(592,597)	0
Special Events	285,841	0	0	0	(285,841)	0	(285,841)	0
Community Development	1,808,389	1,126,230	0	0	(682,159)	0	(682,159)	0
Sanitation	2,764,931	0	0	0	(2,764,931)	0	(2,764,931)	0
Interest and Fees on Long-Term Debt								
Total Governmental Activities	<u>41,687,691</u>	<u>4,378,875</u>	<u>858,196</u>	<u>191,876</u>	<u>(36,258,744)</u>	<u>0</u>	<u>(36,258,744)</u>	<u>0</u>
Business-Type Activities								
Water and Sewer	8,945,367	14,076,686	0	0	0	5,131,319	5,131,319	0
Event Center	5,038,641	657,737	0	0	0	(4,380,904)	(4,380,904)	0
Total Business-Type Activities	<u>13,984,008</u>	<u>14,734,423</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>750,415</u>	<u>750,415</u>	<u>0</u>
Total Primary Government	<u>\$ 55,671,699</u>	<u>\$ 19,113,298</u>	<u>\$ 858,196</u>	<u>\$ 191,876</u>	<u>(36,258,744)</u>	<u>750,415</u>	<u>(35,508,329)</u>	<u>0</u>
Component Unit								
Industrial Development Board	<u>\$ 3,226,810</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,226,810)</u>
General Revenues								
Taxes								
Property					1,793,868	0	1,793,868	0
Sales					16,978,195	0	16,978,195	0
Premier Resort					3,468,598	0	3,468,598	0
Minimum Business					906,142	0	906,142	0
Restaurant					2,278,193	0	2,278,193	0
Wholesale Beer					759,187	0	759,187	0
Special Gross Receipts					10,696,082	0	10,696,082	0
Amusement					4,206,990	0	4,206,990	0
Room Occupancy					4,518,785	0	4,518,785	0
Other					193,531	0	193,531	0
Interest From Capital Lease					0	0	0	2,312,937
Licenses and Permits					42,540	0	42,540	0
Interest and Dividends					692,552	298,908	991,460	151
Rents and Royalties					107,449	0	107,449	0
Loss on Disposal of Capital Assets					(319,292)	0	(319,292)	0
Net Loss on Investment Portfolio					(336,901)	(49,870)	(386,771)	0
Change in Fair Value of Derivatives - Interest Rate Swap					0	(68,160)	(68,160)	0
Capital Contributions					(1,000,000)	0	(1,000,000)	1,000,000
Noncash Capital Contributions					(171,969)	54,566	(117,403)	117,403
Interfund Transfers, Net					(3,799,844)	3,799,844	0	0
Total General Revenues and Other Items					<u>41,014,106</u>	<u>4,035,288</u>	<u>45,049,394</u>	<u>3,430,491</u>
Change in Net Position					4,755,362	4,785,703	9,541,065	203,681
Net Position (Deficit), Beginning of Year					102,459,833	45,311,730	147,771,563	(2,018,023)
Net Position (Deficit), End of Year					<u>\$ 107,215,195</u>	<u>\$ 50,097,433</u>	<u>\$ 157,312,628</u>	<u>\$ (1,814,342)</u>

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

CITY OF PIGEON FORGE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
- ASSETS -			
Cash and Cash Equivalents	\$ 16,514,991	\$ 381,467	\$ 16,896,458
Certificates of Deposit	19,339,442	0	19,339,442
Receivables, Net	7,012,886	0	7,012,886
Due from Other Funds	1,563,515	465,498	2,029,013
Due from Component Unit	234,141	0	234,141
Inventories	371,420	0	371,420
Restricted Assets			
Cash	1,798,477	1,612,650	3,411,127
Investments	5,102,756	0	5,102,756
Receivables	0	45,208	45,208
TOTAL ASSETS	<u>\$ 51,937,628</u>	<u>\$ 2,504,823</u>	<u>\$ 54,442,451</u>
- LIABILITIES -			
Accounts Payable and Accrued Expenses	\$ 4,212,575	\$ 110,320	\$ 4,322,895
Due to Other Funds	371,572	0	371,572
Due to Other Governments	73,358	0	73,358
Taxes Payable	7,800	0	7,800
Total Liabilities	<u>4,665,305</u>	<u>110,320</u>	<u>4,775,625</u>
- DEFERRED INFLOWS OF RESOURCES -	<u>1,254,420</u>	<u>0</u>	<u>1,254,420</u>
- FUND BALANCES -			
Non-Spendable			
General Fund			
Inventory On Hand	371,420	0	371,420
Restricted			
General Fund	5,392,979	0	5,392,979
Special Revenue Funds			
State Street Aid Fund	0	482,875	482,875
Solid Waste Fund	0	785,186	785,186
Drug Fund	0	376,613	376,613
TDZ Fund	0	368,362	368,362
Unrestricted			
Committed	70,846	0	70,846
Assigned	2,175,927	381,467	2,557,394
Unassigned	38,006,731	0	38,006,731
Total Fund Balances	<u>46,017,903</u>	<u>2,394,503</u>	<u>48,412,406</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 51,937,628</u>	<u>\$ 2,504,823</u>	<u>\$ 54,442,451</u>

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, 2015

Ending Total Fund Balances - Governmental Funds - Balance Sheet (page 17)	\$ 48,412,406
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.	137,668,276
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,681,065
Deferred capital contributions are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	2,000,000
Capital contributions payable are not due and payable in the current period and therefore are not reported in the funds.	(2,000,000)
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(721,706)
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>(81,824,846)</u>
Net Position of Governmental Activities - Statement of Net Position (page 15)	\$ <u><u>107,215,195</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, 2015

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes			
Property Tax	\$ 1,271,754	\$ 0	\$ 1,271,754
Payments in Lieu of Tax	522,114	0	522,114
Local Sales Tax	12,884,885	0	12,884,885
Wholesale Beer Tax	759,187	0	759,187
Minimum Business Tax	906,142	0	906,142
Amusement Tax	4,206,990	0	4,206,990
Gross Receipts Tax	10,696,082	0	10,696,082
Restaurant Tax	2,278,193	0	2,278,193
Cable Television Franchise Tax	133,621	0	133,621
Room Occupancy Tax	4,518,785	0	4,518,785
Other Taxes	10,961	0	10,961
Total Taxes	38,188,714	0	38,188,714
Intergovernmental			
Grants	803,007	0	803,007
Sales Tax	0	3,665,056	3,665,056
State Premier Resort Tax	3,468,598	0	3,468,598
State Gasoline and Motor Fuel Tax	0	247,065	247,065
Other	46,817	0	46,817
Total Intergovernmental	4,318,422	3,912,121	8,230,543
Licenses and Permits	251,166	0	251,166
Fees and Charges for Services	2,742,111	1,117,090	3,859,201
Fines and Penalties	257,998	52,801	310,799
Interest and Dividends	385,307	1,556	386,863
Net Loss on Investment Portfolio	(336,901)	0	(336,901)
Rents and Royalties	107,449	0	107,449
Other Revenues	556,036	0	556,036
Total Revenues	46,470,302	5,083,568	51,553,870
EXPENDITURES:			
Current			
Administration, Finance and Other General Government			
City Court	21,269	0	21,269
City Hall Building Operations	102,676	0	102,676
Financial Administration	988,410	0	988,410
Legislative	478,404	0	478,404
Other General Government	20,231,069	0	20,231,069
City Maintenance	824,550	0	824,550
City Garage	672,706	0	672,706
Department of Tourism	11,537,914	0	11,537,914
Drug Prevention	0	12,908	12,908
Fire Protection and Control	2,998,818	0	2,998,818
Highways and Streets	2,645,548	125,007	2,770,555
Information Technology	381,063	0	381,063
Library Administration	416,586	0	416,586
Park Administration	1,131,118	0	1,131,118
Police	5,904,452	0	5,904,452
Protective Inspection	485,818	0	485,818
Public Transportation Systems	2,671,944	0	2,671,944
Recreation Administration/Community Center	1,617,583	0	1,617,583
Solid Waste/Sanitation	0	1,640,835	1,640,835
Special Events	690,817	0	690,817
Community Development	284,088	0	284,088
Debt Service			
Principal Retirement	2,375,000	225,000	2,600,000
Interest	830,777	1,785,879	2,616,656
Fees	578,717	16,313	595,030
Total Expenditures	57,869,327	3,805,942	61,675,269
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,399,025)	1,277,626	(10,121,399)

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, 2015

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):			
Other Financing Sources			
Debt Issuance on Bonds	19,640,000	0	19,640,000
Premium on Debt Issuance	307,762	0	307,762
Transfers from Other Funds	0	837,492	837,492
Other Financing Uses			
Transfers to Other Funds	<u>(2,008,620)</u>	<u>(2,628,716)</u>	<u>(4,637,336)</u>
Total Other Financing Sources (Uses)	<u>17,939,142</u>	<u>(1,791,224)</u>	<u>16,147,918</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,540,117	(513,598)	6,026,519
FUND BALANCES, BEGINNING OF YEAR	<u>39,477,786</u>	<u>2,908,101</u>	<u>42,385,887</u>
FUND BALANCES, END OF YEAR	<u>\$ 46,017,903</u>	<u>\$ 2,394,503</u>	<u>\$ 48,412,406</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, 2015

Net change in fund balances - total governmental funds - statement of revenues, expenditures, and changes in fund balances (page 20)	\$ 6,026,519
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 (\$3,198,667) was exceeded by capital outlays (\$19,091,567) in the current period.	15,892,900
In the statement of activities, only the net gain/loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital assets which were sold.	(550,191)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	430,385
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.	(16,914,377)
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	(13,368)
Change in Compensated Absences Payable	<u>(116,506)</u>
Change in net position of governmental activities - statement of activities (page 16)	\$ <u><u>4,755,362</u></u>

CITY OF PIGEON FORGE, TENNESSEE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Local Taxes:				
Current Year Property Taxes	\$ 1,244,596	\$ 1,244,596	\$ 1,244,576	\$ (20)
Payments in Lieu of Tax	498,093	498,093	522,114	24,021
Prior Years Property Taxes	0	0	783	783
Penalties Property Taxes	20,000	20,000	26,395	6,395
Amusement Tax	4,058,629	4,058,629	4,206,990	148,361
Cable Television Franchise Tax	95,000	95,000	133,621	38,621
Room Occupancy Tax	4,033,822	4,033,822	4,518,785	484,963
Local Sales Tax	12,282,845	12,282,845	12,884,885	602,040
Wholesale Beer Tax	645,000	645,000	759,187	114,187
Minimum Business Tax	700,000	700,000	906,142	206,142
Restaurant Tax	1,875,000	1,875,000	2,278,193	403,193
Gross Receipts Tax	10,177,060	10,177,060	10,696,082	519,022
Other Taxes	9,000	9,000	10,961	1,961
Total Taxes	<u>35,639,045</u>	<u>35,639,045</u>	<u>38,188,714</u>	<u>2,549,669</u>
Licenses and Permits:				
Beer Licenses	6,500	6,500	9,250	2,750
Building and Related Permits	180,000	180,000	208,626	28,626
Liquor Licenses	22,000	22,000	33,290	11,290
Total Licenses and Permits	<u>208,500</u>	<u>208,500</u>	<u>251,166</u>	<u>42,666</u>
Intergovernmental:				
Grants	1,950,875	1,950,875	803,007	(1,147,868)
State Premier Resort Tax	3,469,347	3,469,347	3,468,598	(749)
Franchise and Income Tax	0	0	32,016	32,016
Tax Sharing for Streets	12,000	12,000	11,991	(9)
State Beer and Alcohol Tax	3,000	3,000	2,810	(190)
Total Intergovernmental	<u>5,435,222</u>	<u>5,435,222</u>	<u>4,318,422</u>	<u>(1,116,800)</u>
Fees and Charges for Services:				
Trolley Income	678,996	678,996	489,087	(189,909)
Street Maintenance Contracts	89,481	89,481	89,512	31
Parks & Recreation Charges	738,070	738,070	655,268	(82,802)
Special Events Revenues	105,000	105,000	137,975	32,975
Fire Protection	47,750	47,750	48,750	1,000
Online Advertising Sales	400,000	400,000	445,955	45,955
Police Protection	30,000	30,000	0	(30,000)
Tourism Income	456,000	456,000	828,053	372,053
Miscellaneous Income	38,000	38,000	47,511	9,511
Total Fees and Charges for Services	<u>2,583,297</u>	<u>2,583,297</u>	<u>2,742,111</u>	<u>158,814</u>
Fines and Penalties	<u>237,500</u>	<u>237,500</u>	<u>257,998</u>	<u>20,498</u>
Interest and Dividends	<u>70,000</u>	<u>70,000</u>	<u>385,307</u>	<u>315,307</u>
Net Loss on Investment Portfolio	<u>0</u>	<u>0</u>	<u>(336,901)</u>	<u>(336,901)</u>
Rents and Royalties	<u>118,046</u>	<u>118,046</u>	<u>107,449</u>	<u>(10,597)</u>
Other Revenues	<u>73,800</u>	<u>73,800</u>	<u>556,036</u>	<u>482,236</u>
Total Revenues	<u>44,365,410</u>	<u>44,365,410</u>	<u>46,470,302</u>	<u>2,104,892</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES:				
Administration, Finance, and Other General Government:				
City Court:				
Personnel Costs	\$ 21,879	\$ 21,879	\$ 21,269	\$ 610
City Hall Building Operations				
Capital Outlay	10,000	17,800	17,795	5
General Services	73,032	89,132	84,881	4,251
Total City Hall Building Operations	83,032	106,932	102,676	4,256
Financial Administration:				
Personnel Costs	889,669	889,669	834,534	55,135
Supplies	44,200	44,200	19,742	24,458
Maintenance	23,501	23,501	18,999	4,502
Capital Outlay	10,000	10,000	0	10,000
General Services	138,439	138,439	115,135	23,304
Total Financial Administration	1,105,809	1,105,809	988,410	117,399
Legislative:				
Personnel Costs	91,995	91,995	92,393	(398)
General Services	423,443	423,443	386,011	37,432
Total Legislative	515,438	515,438	478,404	37,034
Other General Government:				
Personnel Costs	154,020	209,020	163,652	45,368
Supplies	6,500	6,500	179	6,321
General Services	1,358,450	2,748,450	2,511,003	237,447
Capital Outlay	25,552	17,776,052	17,556,235	219,817
Total Other General Government	1,544,522	20,740,022	20,231,069	508,953
City Maintenance:				
Personnel Costs	480,470	480,470	466,418	14,052
Supplies	81,084	86,084	69,140	16,944
General Services	24,368	28,368	22,690	5,678
Maintenance	175,570	170,570	112,043	58,527
Capital Outlay	17,900	156,900	154,259	2,641
Total City Maintenance	779,392	922,392	824,550	97,842
Total Administration, Finance, and Other General Government				
	4,050,072	23,412,472	22,646,378	766,094
City Garage:				
Personnel Costs	541,890	541,890	549,108	(7,218)
Supplies	64,795	64,795	52,857	11,938
Maintenance	7,500	7,500	4,356	3,144
General Services	62,194	62,194	49,128	13,066
Capital Outlay	89,260	89,260	17,257	72,003
Total City Garage	765,639	765,639	672,706	92,933

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
Department of Tourism:				
Personnel Costs	956,622	956,622	905,201	51,421
Supplies	31,100	32,375	27,437	4,938
Maintenance	12,500	12,500	6,061	6,439
General Services	1,111,685	1,110,410	989,156	121,254
Capital Outlay	29,000	29,000	0	29,000
Advertising	9,584,600	9,584,600	9,610,059	(25,459)
Total Department of Tourism	11,725,507	11,725,507	11,537,914	187,593
Fire Protection and Control:				
Personnel Costs	2,538,502	2,538,202	2,485,218	52,984
Supplies	294,023	297,173	264,948	32,225
Maintenance	53,942	103,942	86,133	17,809
General Services	152,331	149,481	129,300	20,181
Capital Outlay	67,480	67,480	33,219	34,261
Total Fire Protection and Control	3,106,278	3,156,278	2,998,818	157,460
Highway and Streets:				
Personnel Costs	1,368,312	1,368,312	1,381,333	(13,021)
Supplies	181,648	181,648	133,051	48,597
Maintenance	84,764	135,364	106,490	28,874
General Services	222,181	222,181	168,932	53,249
Capital Outlay	649,940	885,440	855,742	29,698
Total Highway and Streets	2,506,845	2,792,945	2,645,548	147,397
Information Technology				
Personnel Costs	145,358	145,358	137,705	7,653
Supplies	1,300	1,300	3,598	(2,298)
Maintenance	250	250	60	190
General Services	295,205	295,205	211,706	83,499
Capital Outlay	48,050	48,050	27,994	20,056
Total Information Technology	490,163	490,163	381,063	109,100
Library Administration				
Personnel Costs	321,732	321,732	298,902	22,830
Supplies	52,600	59,500	46,993	12,507
Maintenance	8,400	8,400	5,116	3,284
General Services	152,280	145,380	65,575	79,805
Total Library Administration	535,012	535,012	416,586	118,426
Park Administration				
Personnel Costs	815,844	815,844	785,371	30,473
Supplies	169,680	174,180	127,545	46,635
Maintenance	70,530	72,530	61,624	10,906
General Services	118,145	118,145	100,721	17,424
Capital Outlay	987,050	980,550	55,857	924,693
Total Park Administration	2,161,249	2,161,249	1,131,118	1,030,131

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
Police				
Personnel Costs	4,955,939	4,955,939	4,726,980	228,959
Supplies	613,730	615,230	525,830	89,400
Maintenance	151,980	151,980	117,500	34,480
General Services	152,867	152,867	81,126	71,741
Capital Outlay	334,000	748,000	453,016	294,984
Total Police	<u>6,208,516</u>	<u>6,624,016</u>	<u>5,904,452</u>	<u>719,564</u>
Protective Inspection:				
Personnel Costs	448,845	448,845	447,643	1,202
Supplies	32,295	32,295	25,805	6,490
Maintenance	7,290	7,290	2,655	4,635
General Services	12,000	12,000	9,715	2,285
Total Protective Inspection	<u>500,430</u>	<u>500,430</u>	<u>485,818</u>	<u>14,612</u>
Public Transportation Systems:				
Personnel Costs	1,658,088	1,658,088	1,726,614	(68,526)
Supplies	542,999	542,999	394,828	148,171
Maintenance	125,200	125,200	102,089	23,111
General Services	95,655	95,655	72,025	23,630
Capital Outlay	868,860	868,860	376,388	492,472
Total Public Transportation Systems	<u>3,290,802</u>	<u>3,290,802</u>	<u>2,671,944</u>	<u>618,858</u>
Recreation Administration/Community Center:				
Personnel Costs	1,073,502	1,073,502	1,041,594	31,908
Supplies	117,513	117,513	105,326	12,187
Maintenance	18,828	18,828	14,520	4,308
General Services	409,255	434,755	456,143	(21,388)
Administration/Community Center	<u>1,619,098</u>	<u>1,644,598</u>	<u>1,617,583</u>	<u>27,015</u>
Special Events:				
Personnel Costs	185,616	185,116	178,783	6,333
Supplies	8,100	7,780	3,645	4,135
Maintenance	5,800	5,800	2,572	3,228
General Services	456,100	500,920	505,817	(4,897)
Total Special Events	<u>655,616</u>	<u>699,616</u>	<u>690,817</u>	<u>8,799</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
Community Development:				
Personnel Costs	274,116	274,116	252,425	21,691
Supplies	28,500	28,500	14,524	13,976
Maintenance	1,500	1,500	70	1,430
General Services	36,910	36,910	17,069	19,841
Total Community Development	341,026	341,026	284,088	56,938
Debt Service:				
Debt Service - Principal	2,375,000	2,375,000	2,375,000	0
Debt Service - Interest	1,426,025	1,426,025	830,777	595,248
Debt Service - Fees	0	0	578,717	(578,717)
Total Debt Service	3,801,025	3,801,025	3,784,494	16,531
Total Expenditures	41,757,278	61,940,778	57,869,327	4,071,451
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,608,132	(17,575,368)	(11,399,025)	6,176,343
Other Financing Sources (Uses):				
Other Financing Sources:				
Debt Issuance on Bonds	0	0	19,640,000	19,640,000
Premium on Debt Issuance	0	0	307,762	307,762
Other Financing Uses:				
Transfers to Other Funds	(2,606,132)	(2,606,132)	(2,008,620)	597,512
Total Other Financing Sources (Uses)	(2,606,132)	(2,606,132)	17,939,142	20,545,274
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,000	(20,181,500)	6,540,117	26,721,617
Fund Balance at Beginning of Year	39,477,786	39,477,786	39,477,786	0
Fund Balance at End of Year	\$ 39,479,786	\$ 19,296,286	\$ 46,017,903	\$ 26,721,617

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

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Water and Sewer Fund	LeConte Center Fund	Total Proprietary Funds
- ASSETS -			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 13,553,806	\$ 962,082	\$ 14,515,888
Certificates of Deposit	4,665,102	0	4,665,102
Receivables, Net	1,402,634	0	1,402,634
Inventories	288,166	0	288,166
Total Current Assets	19,909,708	962,082	20,871,790
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	1,338,482	0	1,338,482
Restricted Investments	968,557	0	968,557
Investment in Joint Venture	6,000,522	0	6,000,522
Capital Assets			
Nondepreciable	47,541,369	3,185,168	50,726,537
Depreciable, Net of Accumulated Depreciation	39,526,228	50,319,271	89,845,499
Total Capital Assets, Net of Accumulated Depreciation	87,067,597	53,504,439	140,572,036
Total Noncurrent Assets	95,375,158	53,504,439	148,879,597
- DEFERRED OUTFLOWS OF RESOURCES -	83,326	0	83,326
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 115,368,192	\$ 54,466,521	\$ 169,834,713
- LIABILITIES -			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 1,479,666	\$ 294,506	\$ 1,774,172
Due to Other Funds, Net	93,979	1,563,462	1,657,441
Accrued Interest	225,945	192,023	417,968
Taxes Payable	67,409	0	67,409
Compensated Absences	51,282	10,475	61,757
Long-Term Debt - Current Portion	768,941	330,000	1,098,941
Total Current Liabilities	2,687,222	2,390,466	5,077,688
NONCURRENT LIABILITIES			
Long-Term Debt	63,558,100	48,500,000	112,058,100
Total Liabilities	66,245,322	50,890,466	117,135,788
- DEFERRED INFLOWS OF RESOURCES -			
Derivative Instrument - Interest Rate Swap	2,601,492	0	2,601,492
- NET POSITION -			
Net Investment in Capital Assets	22,529,429	4,674,440	27,203,869
Unrestricted (Deficit)	23,991,949	(1,098,385)	22,893,564
Total Net Position	46,521,378	3,576,055	50,097,433
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 115,368,192	\$ 54,466,521	\$ 169,834,713

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, 2015

	Water and Sewer Fund	LeConte Center Fund	Total Proprietary Funds
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Fees and Charges for Services	\$ 13,638,222	\$ 657,737	\$ 14,295,959
Fines and Penalties	103,453	0	103,453
Other Revenues	91,487	0	91,487
Tap Fees	243,524	0	243,524
Total Operating Revenues	<u>14,076,686</u>	<u>657,737</u>	<u>14,734,423</u>
OPERATING EXPENSES:			
Purification	1,433,650	0	1,433,650
Transmission and Distribution	862,137	0	862,137
Sewer System	367,845	0	367,845
Sewer Treatment and Disposal	2,556,143	0	2,556,143
Customer Accounting and Collections	154,209	0	154,209
Administrative and General	787,035	0	787,035
Personnel Costs	0	447,006	447,006
Supplies	0	73,738	73,738
Maintenance	0	38,436	38,436
General Services	0	770,000	770,000
Depreciation	1,411,865	1,396,533	2,808,398
Total Operating Expenses	<u>7,572,884</u>	<u>2,725,713</u>	<u>10,298,597</u>
OPERATING INCOME (LOSS)	<u>6,503,802</u>	<u>(2,067,976)</u>	<u>4,435,826</u>
NONOPERATING REVENUES (EXPENSES):			
Interest and Dividends	298,908	0	298,908
Debt Service Fees	(87,693)	0	(87,693)
Interest Expense	(1,284,790)	0	(1,284,790)
Interest on Capital Lease	0	(2,312,928)	(2,312,928)
Net Loss on Investment Portfolio	(49,870)	0	(49,870)
Change in Fair Value of Derivatives - Interest Rate Swap	(68,160)	0	(68,160)
Total Nonoperating Expenses	<u>(1,191,605)</u>	<u>(2,312,928)</u>	<u>(3,504,533)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS AND CAPITAL CONTRIBUTION	5,312,197	(4,380,904)	931,293
TRANSFERS FROM OTHER FUNDS	0	3,799,844	3,799,844
CAPITAL CONTRIBUTION - FROM INDUSTRIAL DEVELOPMENT BOARD	<u>0</u>	<u>54,566</u>	<u>54,566</u>
CHANGE IN NET POSITION	<u>5,312,197</u>	<u>(526,494)</u>	<u>4,785,703</u>
NET POSITION, BEGINNING OF YEAR	<u>41,209,181</u>	<u>4,102,549</u>	<u>45,311,730</u>
NET POSITION, END OF YEAR	<u>\$ 46,521,378</u>	<u>\$ 3,576,055</u>	<u>\$ 50,097,433</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, 2015

	Water and Sewer Fund	LeConte Center Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 14,105,150	\$ 657,738	\$ 14,762,888
Cash Paid to or on Behalf of Employees	(1,321,749)	(436,531)	(1,758,280)
Cash Paid to Suppliers	(9,151,166)	(844,221)	(9,995,387)
Net Cash Provided by (Used in) Operating Activities	<u>3,632,235</u>	<u>(623,014)</u>	<u>3,009,221</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(16,995,093)	0	(16,995,093)
Transfers Received for Capital Purposes	0	2,628,716	2,628,716
Principal Paid on Debt Maturities	(744,799)	(315,000)	(1,059,799)
Interest Expense	(2,828,430)	(2,313,716)	(5,142,146)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(20,568,322)</u>	<u>0</u>	<u>(20,568,322)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	0	1,171,128	1,171,128
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	<u>0</u>	<u>1,171,128</u>	<u>1,171,128</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net Increase of Certificates of Deposit	(847,589)	0	(847,589)
Purchases of Restricted Investments	(169,885)	0	(169,885)
Cash Receipts on Sales of Restricted Investments	18,622,800	0	18,622,800
Interest and Dividends	298,908	0	298,908
Net Cash Provided by (Used in) Investing Activities	<u>17,904,234</u>	<u>0</u>	<u>17,904,234</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	968,147	548,114	1,516,261
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>13,924,141</u>	<u>413,968</u>	<u>14,338,109</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 14,892,288</u>	<u>\$ 962,082</u>	<u>\$ 15,854,370</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities:			
Operating Income (Loss)	\$ 6,503,802	\$ (2,067,976)	\$ 4,435,826
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	1,411,865	1,396,533	2,808,398
(Increase) Decrease in Assets:			
Accounts Receivable	28,464	0	28,464
Due From Other Funds	(271,835)	0	(271,835)
Inventories	32,634	0	32,634
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	(3,978,262)	99,803	(3,878,459)
Taxes Payable	11,347	0	11,347
Accrued Expenses			
Due to Other Funds	0	(61,849)	(61,849)
Due to Other Governments	(112,984)	0	(112,984)
Compensated Absences	7,204	10,475	17,679
Total Adjustments	<u>(2,871,567)</u>	<u>1,444,962</u>	<u>(1,426,605)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,632,235</u>	<u>\$ (623,014)</u>	<u>\$ 3,009,221</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:			
Change in Fair Value of Derivatives - Interest Rate Swap	\$ (68,160)	\$ 0	\$ (68,160)
Amortization of Deferred Amount of Refunding	\$ 2,812	\$ 0	\$ 2,812
Amortization of Bond Premium	\$ (9,020)	\$ 0	\$ (9,020)
Change in Fair Value of Restricted Investments	\$ (49,870)	\$ 0	\$ (49,870)
Noncash Capital Contribution - From Industrial Development Board	\$ 0	\$ 54,566	\$ 54,566
Capitalized Interest	\$ 1,462,155	\$ 0	\$ 1,462,155

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

CITY OF PIGEON FORGE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 assets 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 and LeConte Center - 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 nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, GASB 54 clarified the definitions of the General Fund and the special revenue, capital projects, and debt service fund types. These classifications are defined as follows:

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

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

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

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

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

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 nonexchange 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 nonexchange 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 nonexchange 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 *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating 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.

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.

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 *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund will be lease payments received from the City for the use of the LeConte Center (see Note 14). 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 nonoperating 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.

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, 2015, 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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively.

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	5-35 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, but has chosen to do so, on the accrual basis of accounting. 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources - As noted above, property taxes for 2015 are recognized as an enforceable legal claim on January 1, 2015. 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.

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.

Reclassifications - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2014 balances may have been reclassified in order to be consistent with their classification for June 30, 2015.

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, 2015, the book balances of cash, certificates of deposit, and restricted cash totaled \$55,864,682 and the bank balances totaled \$57,132,285 (\$2,327,043 of which was covered by FDIC insurance, \$39,744,916 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department and \$15,060,326 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 \$1,251 as of June 30, 2015. The Board has no balance of uninsured cash as of June 30, 2015.

NOTE 4 - INVESTMENTS

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

	Fair Value/ Carrying Amount	Credit Quality/ Rating	Expected Maturity
<u>Primary Government</u>			
Fixed Agency Securities	\$ 2,328,197	AAA - AA	1-12 Months
Taxable Municipals	1,057,421	AAA - A	2 - 24 Months
Tax-free Municipals	5,730,882	AAA - A	2 - 19 Months
Short Term Investments	256,248	***	***
Certificates of Deposit	1,000,383	**	2 - 14 Months
	<u>\$ 10,373,131</u>		

** All Certificates of Deposit are fully secured by FDIC Insurance.

*** Overnight Funds Securities (Federated Prime Cash Obligation Fund)

	Fair Value/ Carrying Amount	Credit Quality/ Rating	Expected Maturity
<u>Component Unit</u>			
Short Term Investments	\$ <u>232,890</u>	***	***

*** Overnight Funds Securities (Federated Prime Cash Obligation Fund)

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.

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, 2015, 65% of the City's investments are in municipal bonds and 22% are in fixed agency securities.

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, 2015 provides Securities Investor Protection Corporation (SIPC) and other insurance.

NOTE 5 - 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	Nonmajor and Other Funds	Total
Receivables:				
Interest	\$ 5,295	\$ 492	\$ 0	\$ 5,787
Taxes				
Property - Unbilled	1,247,113	0	0	1,247,113
Property - Billed	96,259	0	0	96,259
Sales	1,171,024	0	0	1,171,024
Special Gross Receipts	1,273,294	0	0	1,273,294
Amusement	585,738	0	0	585,738
Restaurant	289,256	0	0	289,256
Room Occupancy	544,650	0	0	544,650
Premier Resort	644,720	0	0	644,720
Gasoline (Restricted for Streets and Highways)	0	0	45,208	45,208
Wholesale Beer	88,134	0	0	88,134
Minimum Business	127,439	0	0	127,439
Other	86,631	0	0	86,631
Accounts - Billed	0	1,374,734	0	1,374,734
Special Assessments	0	15,296	0	15,296
Intergovernmental	862,807	12,112	0	874,919
Gross Receivables	7,022,360	1,402,634	45,208	8,470,202
Less: Allowance for Uncollectibles	(9,474)	0	0	(9,474)
Net Total Receivables, Fund Level	7,012,886	1,402,634	45,208	8,460,728
Tourism Development Zone Sales Taxes	0	0	3,665,056	3,665,056
Total Receivables, Government Wide Level	\$ 7,012,886	\$ 1,402,634	\$ 3,710,264	\$ 12,125,784

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

	Due From Other Funds	Due to Other Funds	Internal Balances	Due From Component Unit	Due to Primary Government
Governmental Activities					
General Fund	\$ 1,563,515	\$ (371,572)	1,191,943	\$ 234,141	\$ 0
Nonmajor Funds	465,498	0	465,498	0	0
Total Governmental Activities	2,029,013	(371,572)	1,657,441	234,141	0
Business-type Activities					
Water and Sewer	893	(94,872)	(93,979)	0	0
Events Center	53	(1,563,515)	(1,563,462)	0	0
Total Business-type Activities	946	(1,658,387)	(1,657,441)	0	0
Component Unit					
Industrial Development Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 234,141

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 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers during the fiscal year were as follows:

	Transfers From:			Total
	Governmental Activities		Business Type Activities	
	General Fund	Nonmajor Funds	Water and Sewer Fund	
<u>Transfers To:</u>				
<i>Governmental Activities:</i>				
Nonmajor Funds	\$ 837,492	\$ 0	\$ 0	\$ 837,492
<i>Business-type Activities:</i>				
Events Center Fund	1,171,128	2,628,716	0	3,799,844
	<u>\$ 2,008,620</u>	<u>\$ 2,628,716</u>	<u>\$ 0</u>	<u>\$ 4,637,336</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.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 45,663,035	\$ 0	\$ (550,191)	\$ 45,112,844
Construction in Progress	17,476,913	18,071,243	(5,123,027)	30,425,129
Total Capital Assets, Not Being Depreciated	<u>63,139,948</u>	<u>18,071,243</u>	<u>(5,673,218)</u>	<u>75,537,973</u>
Capital Assets, Being Depreciated:				
Buildings	19,147,047	230,322	0	19,377,369
Improvements other than Buildings	10,960,935	116,222	0	11,077,157
Equipment	5,200,423	263,905	(23,162)	5,441,166
Automobiles	15,033,640	613,462	(1,488,911)	14,158,191
Infrastructure	48,859,923	4,892,705	0	53,752,628
Total Capital Assets, Being Depreciated	<u>99,201,968</u>	<u>6,116,616</u>	<u>(1,512,073)</u>	<u>103,806,511</u>
Less accumulated depreciation for:				
Buildings	(6,947,572)	(484,387)	0	(7,431,959)
Improvements other than Buildings	(3,895,866)	(515,699)	0	(4,411,565)
Equipment	(3,619,966)	(297,408)	23,162	(3,894,212)
Automobiles	(8,200,574)	(1,020,900)	1,488,911	(7,732,563)
Infrastructure	(17,325,636)	(880,273)	0	(18,205,909)
Total Accumulated Depreciation	<u>(39,989,614)</u>	<u>(3,198,667)</u>	<u>1,512,073</u>	<u>(41,676,208)</u>
Total Capital Assets, Being Depreciated, Net	<u>59,212,354</u>	<u>2,917,949</u>	<u>0</u>	<u>62,130,303</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,352,302</u>	<u>\$ 20,989,192</u>	<u>\$ (5,673,218)</u>	<u>\$ 137,668,276</u>

(Table Continued on Next Page)

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 3,683,938	\$ 0	\$ 0	\$ 3,683,938
Construction in Progress	29,548,542	18,234,080	(740,023)	47,042,599
Total Capital Assets, Not Being Depreciated	<u>33,232,480</u>	<u>18,234,080</u>	<u>(740,023)</u>	<u>50,726,537</u>
Capital Assets, Being Depreciated:				
Buildings	52,044,138	0	0	52,044,138
Water Plant and Improvements other than Buildings	13,447,164	0	0	13,447,164
Equipment	2,249,674	158,254	0	2,407,928
Automobiles	956,074	119,480	(68,208)	1,007,346
Infrastructure	51,209,498	740,023	0	51,949,521
Total Capital Assets, Being Depreciated	<u>119,906,548</u>	<u>1,017,757</u>	<u>(68,208)</u>	<u>120,856,097</u>
Less Accumulated Depreciation for:				
Buildings	(1,067,099)	(3,825)	0	(1,070,924)
Water Plant and Improvements other than Buildings	(8,470,071)	(235,550)	0	(8,705,621)
Equipment	(453,496)	(121,952)	0	(575,448)
Automobiles	(477,147)	(62,858)	68,208	(471,797)
Infrastructure	(17,802,595)	(2,384,213)	0	(20,186,808)
Total Accumulated Depreciation	<u>(28,270,408)</u>	<u>(2,808,398)</u>	<u>68,208</u>	<u>(31,010,598)</u>
Total Capital Assets, Being Depreciated, Net	<u>91,636,140</u>	<u>(1,790,641)</u>	<u>0</u>	<u>89,845,499</u>
Business-type Activities Capital Assets, Net	<u>\$ 124,868,620</u>	<u>\$ 16,443,439</u>	<u>\$ (740,023)</u>	<u>\$ 140,572,036</u>

Depreciation was charged to governmental functions as follows:

Administration, Finance and Other General Government:	
Administration/Finance	\$ 104,946
City Maintenance	29,222
City Garage	30,140
Community Development	2,479
Department of Tourism	67,773
Fire Protection	194,483
Highways and Streets	1,134,226
Library Administration	28,374
Park Administration	357,392
Police Protection	307,874
Protective Inspection	3,904
Public Transportation System	479,433
Recreation Administration/Community Center	254,566
Sanitation	166,105
Special Events	37,750
Total Governmental Depreciation	<u>\$ 3,198,667</u>

<u>Component Unit</u>	<u>Balance July 01, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Industrial Development Board				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ 0
Capitalized Interest	0	0	0	0
Construction in Progress	0	56,066	(54,566)	1,500
Total Capital Assets, Not Being Depreciated	<u>0</u>	<u>56,066</u>	<u>(54,566)</u>	<u>1,500</u>
Industrial Development Board				
Capital Assets, Net	<u>\$ 0</u>	<u>\$ 56,066</u>	<u>\$ (54,566)</u>	<u>\$ 1,500</u>

NOTE 7 - 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 \$1,462,155 of interest during the year ended June 30, 2015.

At June 30, 2015, the City had significant contractual commitments for construction totaling approximately \$62,998,000 with total related expenditures to date of approximately \$39,173,000.

NOTE 8 - EQUIPMENT AND OTHER LEASE COMMITMENTS

The City has equipment leases that are classified as operating leases. Rental expense under all operating leases amounted to \$65,088. The contracts provide for termination of the leases under certain conditions.

Also see Notes 14 and 15 for other lease agreements.

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP

The long-term obligations outstanding and the changes therein for the year ended June 30, 2015 are as follows:

Debt Issue	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Governmental Activities:					
Long-Term Debt					
General Obligation Bonds					
Refunding, Series 2008A	\$ 8,946,942	\$ 0	\$ 280,221	\$ 8,666,721	\$ 286,059
Refunding, Series 2009	450,000	0	225,000	225,000	225,000
Refunding, Series 2009B	12,660,000	0	1,920,000	10,740,000	1,995,000
Series 2012	25,000,000	0	675,000	24,325,000	700,000
Series 2014	0	9,750,000	0	9,750,000	330,000
Series 2015	0	9,890,000	0	9,890,000	355,000
Loans Payable to the Public					
Building Authority of Sevier County:					
Loan Series VII-K-1	17,235,000	0	0	17,235,000	15,000
Total Long-Term Debt	64,291,942	19,640,000	3,100,221	80,831,721	3,906,059
Premiums on Issuance	2,019,770	307,762	185,342	2,142,190	0
	66,311,712	19,947,762	3,285,563	82,973,911	3,906,059
Compensated Absences	605,200	574,152	457,646	721,706	721,706
Total Long-Term Obligations	<u>\$ 66,916,912</u>	<u>\$ 20,521,914</u>	<u>\$ 3,743,209</u>	<u>\$ 83,695,617</u>	<u>\$ 4,627,765</u>
Business-Type Activities:					
Long-Term Debt					
General Obligation Bonds,					
Refunding, Series 2008A	\$ 6,403,057	\$ 0	\$ 199,799	\$ 6,203,258	\$ 203,941
Refunding, Series 2009	1,395,000	0	450,000	945,000	180,000
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	12,325,000	0	95,000	12,230,000	385,000
Total Long-Term Debt	65,123,057	0	744,799	64,378,258	768,941
Premium (Discount) on Issuance	(48,404)	0	2,812	(51,216)	0
	65,074,653	0	747,611	64,327,042	768,941
Capital Lease	49,145,000	0	315,000	48,830,000	330,000
Compensated Absences	44,078	49,488	31,809	61,757	61,757
Total Long-Term Obligations	<u>\$ 114,263,731</u>	<u>\$ 49,488</u>	<u>\$ 1,094,420</u>	<u>\$ 113,218,799</u>	<u>\$ 1,160,698</u>

NOTE 9 - 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 2015 totaled \$1,324,138.

	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Component Unit:					
Long-Term Debt					
Public Facility Bonds, Series 2011	\$ 49,145,000	\$ 0	\$ 315,000	\$ 48,830,000	\$ 330,000
Total Long-Term Debt	49,145,000	0	315,000	48,830,000	330,000
Premiums on Issuance	1,901,976	0	86,127	1,815,849	0
Total Long-Term Obligations	<u>\$ 51,046,976</u>	<u>\$ 0</u>	<u>\$ 401,127</u>	<u>\$ 50,645,849</u>	<u>\$ 330,000</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, 2015
Governmental Activities:					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	\$ 9,999,443	\$ 8,666,721
General Obligation Refunding Bonds - Series 2009	3.00% - 3.75%	3/12/2009	6/30/2016	1,635,000	225,000
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	17,235,000
General Obligation Refunding Bonds - Series 2009B	2.50% - 4.25%	11/19/2009	6/1/2020	17,750,000	10,740,000
General Obligation Bonds Series 2012	2.50% - 4.00%	6/28/2012	6/1/2037	25,000,000	24,325,000
General Obligation Bonds Series 2014	2.00% - 3.50%	12/18/2014	6/30/2037	9,750,000	9,750,000
General Obligation Bonds Series 2015	2.00% - 3.00%	2/20/2015	6/30/2037	9,890,000	9,890,000
Total Governmental Activities Debt					<u>\$ 80,831,721</u>
Business-Type Activities:					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	\$ 5,350,557	\$ 6,203,258
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	12,230,000
General Obligation Refunding Bonds - Series 2009	3.00% - 3.80%	3/12/2009	6/1/2020	3,465,000	945,000
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>\$ 64,378,258</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>\$ 48,830,000</u>

NOTE 9 - 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, 2015, principal and interest payments on these debt issues were approximately 20% of the pledged revenue. Principal and interest remaining to be paid on Series 2008A, VII-K-1, Series 2010 and 2012 is approximately \$101,070,276, of which \$52,187,000 will be funded by governmental activities, based on market interest rates effective on June 30, 2015.

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, 2015, 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 \$108,378,000, based on market interest rates effective on June 30, 2015.

Loans payable as of June 30, 2015 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 15 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 assets 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, 2015, 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>-1.12%</u>
Net Interest Rate Swap Payments		3.32%
True Interest Cost		<u>0.87%</u>
Synthetic Interest Rate on Bonds		<u>4.19%</u>

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

The terms and rates of the outstanding swap as of June 30, 2015, 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	4.19%	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, 2015, 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, 2015, were as follows.

<u>Associated Debt Issue</u>	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2015</u>		<u>June 30, 2015</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	\$ (68,160)	Deferred Inflow of Resources	\$(2,601,492)	\$12,230,000

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

Credit Risk - As of June 30, 2015, 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, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

Basis Risk - The Series IV-E-1 swap exposes the City to basis risk when the BMA increases 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," which states that the Authority, at the request of the City, 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 bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City, via 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 City, via the Authority, for a payment equal to the swap's fair value.

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

Swap Payments and Associated Debt - As of June 30, 2015, 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, 2015 are as follows:

Governmental Activities:

Year Ending June 30,	General Obligation Bonds		Loans Payable to Public Building Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,891,059	\$ 2,258,565	\$ 15,000	\$ 861,750	\$ 3,906,059	\$ 3,120,315
2017	3,816,896	2,123,670	100,000	861,000	3,916,896	2,984,670
2018	3,921,896	1,987,707	125,000	856,000	4,046,896	2,843,707
2019	4,061,896	1,835,600	150,000	849,750	4,211,896	2,685,350
2020	4,171,896	1,678,750	175,000	842,250	4,346,896	2,521,000
2021-2025	12,784,875	6,742,758	5,410,000	3,638,750	18,194,875	10,381,508
2026-2030	13,353,203	4,226,781	9,025,000	2,102,750	22,378,203	6,329,531
2031-2035	12,110,000	2,211,200	2,235,000	286,250	14,345,000	2,497,450
2036-2040	5,485,000	276,963	0	0	5,485,000	276,963
	<u>\$ 63,596,721</u>	<u>\$ 23,341,993</u>	<u>\$ 17,235,000</u>	<u>\$ 10,298,500</u>	<u>\$ 80,831,721</u>	<u>\$ 33,640,493</u>

Business-Type Activities:

Year Ending June 30,	General Obligation Bonds				Loans Payable to Public Building Authority *			Total		
	Coupon Principal	Interest	BABS Treasury Rebate	Net Interest	Principal	Interest	Interest Rate Swaps, Net	Principal	Net Interest	Interest Rate Swaps, Net
2016	\$ 383,941	\$ 3,496,126	\$ (1,331,598)	\$ 2,164,529	\$ 385,000	\$ 106,574	\$ 405,647	\$ 768,941	\$ 2,271,103	\$ 405,647
2017	393,104	3,480,709	(1,331,598)	2,149,111	410,000	103,219	392,877	803,104	2,252,330	392,877
2018	398,104	3,465,910	(1,331,598)	2,134,312	435,000	99,646	379,278	833,104	2,233,958	379,278
2019	403,104	3,450,415	(1,331,598)	2,118,818	460,000	95,855	364,850	863,104	2,214,673	364,850
2020	403,104	3,434,681	(1,331,598)	2,103,083	485,000	91,847	349,593	888,104	2,194,930	349,593
2021-2025	2,905,126	16,854,334	(6,657,989)	10,196,345	4,305,000	367,431	1,398,537	7,210,126	10,563,776	1,398,537
2026-2030	8,961,776	15,415,584	(6,372,729)	9,042,855	5,750,000	156,200	594,540	14,711,776	9,199,055	594,540
2031-2035	17,300,000	11,208,750	(4,702,071)	6,506,679	0	0	0	17,300,000	6,506,679	0
2036-2040	21,000,000	4,613,438	(1,935,337)	2,678,101	0	0	0	21,000,000	2,678,101	0
	<u>\$ 52,148,258</u>	<u>\$ 65,419,948</u>	<u>\$ (26,326,116)</u>	<u>\$ 39,093,832</u>	<u>\$ 12,230,000</u>	<u>\$ 1,020,772</u>	<u>\$ 3,885,322</u>	<u>\$ 64,378,258</u>	<u>\$ 40,114,604</u>	<u>\$ 3,885,322</u>

* Includes interest rate swap effective through 2030.

Component Unit Activities:

Year Ending June 30,	Public Facility Bonds	
	Principal	Interest
2016	\$ 330,000	\$ 2,304,275
2017	350,000	2,294,375
2018	400,000	2,283,875
2019	400,000	2,267,875
2020	450,000	2,251,875
2021-2025	10,500,000	10,210,875
2026-2030	13,350,000	7,378,750
2031-2035	18,050,000	3,873,750
2036-2040	5,000,000	225,000
	<u>\$ 48,830,000</u>	<u>\$ 33,090,650</u>

NOTE 10 - 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, 2015:

Total Employee Contributions	\$ 686,091
City's Contributions to the Plan, Net of Forfeitures	440,026
Total Contributions to the Plan, Net of Forfeitures	<u>\$ 1,126,117</u>

Employee Pension 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. The City paid \$43,134 in 2015 to provide these benefits.

NOTE 10 - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed in 2014 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.

For the year ended June 30, 2015, the City’s annual OPEB cost was more than the amount contributed to the Plan by \$47,639. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were 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, 2015	\$ 90,773	33.1%	\$ 181,855
June 30, 2014	\$ 89,903	32.3%	\$ 123,633
June 30, 2013	\$ 65,181	49.0%	\$ 67,180

Funded Status and Funding Progress

As of July 1, 2014, 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. A schedule detailing the funding and actuarial valuations is included in the required supplementary information on page 53.

Actuarial Valuations, Methods and Assumptions

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 Plan and the ARC of the City and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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, 2014 valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate. Annual medical costs were assumed to increase 2.5% in 2014 and 4.5% thereafter. 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 11 - 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 interlocal cooperation agreement between each of the governmental entities.

Sevier Solid Waste, Inc. is governed by a board of directors, which consists of one representative appointed from each governmental unit. Each director has a vote equal to his/her jurisdiction's pro-rata portion of the total tonnage of solid waste generated by the four governmental entities. 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 9). 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, 2015, the City's portion of solid waste disposal services performed was \$730,308. 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 interlocal 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 interlocal 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, 2015 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, 2015. 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 11 - 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 agreed to furnish software programming, mailing services and reservation telephone support for the operation of the PFHB.

NOTE 12 - MANAGEMENT CONTRACT - SEWER PLANT

The City’s sewage treatment plant is operated under a contract by Veolia Water North America (VWNA). VWNA charged \$164,141 per month in 2015, 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 13 - 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 \$5,305 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>
2016	\$ 23,338	\$ 36,932
2017	0	36,932
2018	0	36,932
2019	0	36,932
2020	0	36,932
Thereafter	0	119,748
	<u>\$ 23,338</u>	<u>\$ 304,408</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 14 - 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. However, for the interest only payments due from December 1, 2011 to December 1, 2013 in the amount of \$5,277,749 the Board agreed to use proceeds deposited to the Bond Fund for interest (from proceeds of the Series 2011 Bonds) to pay these interest payments. The capitalized portion of these interest payments (approximately \$4.6 million dollars) was included in the basis of the project cost. As part of the LeConte Center construction, the City's general fund incurred \$4,428,291 in implementation costs, primarily developer fees, that were recorded in fiscal year 2014 as a capital contribution to the Board and included in the cost of the overall project. 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. The \$5.6 million dollar difference between the transferred asset of approximately \$55 million dollars and the original \$49.4 million dollar lease receivable represented costs not recovered through the lease, and was recorded in 2014 as a capital contribution from the Board to the City.

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, 2015:

Land	\$ 3,185,168
Event Center Construction	42,727,565
Implementation Costs Contributed by the General Fund to the Board	4,428,291
Capitalized Interest	<u>4,640,246</u>
Total Event Center Building	54,981,270
Accumulated Amortization	<u>(2,266,080)</u>
Net Assets Under Capital Lease	<u>\$ 52,715,190</u>

Future minimum lease payments to the Board from the LeConte Center Fund under the capital lease agreement as of June 30, 2015:

<u>Fiscal Year Ended</u>	<u>Events Center</u>
2016	\$ 2,634,275
2017	2,644,375
2018	2,683,875
2019	2,667,875
2020	2,701,875
2021 - 2025	20,710,875
2026 - 2030	20,728,750
2031 - 2035	21,923,750
2036	<u>5,225,000</u>
	81,920,650
Less Portion Representing Interest	<u>(33,090,650)</u>
Present Value of Minimum Lease Payments Under	48,830,000
Less Current Maturities	<u>(330,000)</u>
	<u>\$ 48,500,000</u>

NOTE 14 - LEASE AGREEMENT FOR LECONTE CENTER (Continued)

The following lists the Board's components of the net investment in capital lease as of June 30, 2015:

Minimum Lease Payments Receivable	\$ 81,920,650
Less Unearned Income	<u>(32,898,621)</u>
Net Investment in Capital Lease	<u>\$ 49,022,029</u>

NOTE 15 - 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 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.

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 and related assigned lease are not reported in the Board's statement of net position.

The Board has also agreed to enter into a lease agreement with Publix Tennessee, LLC upon completion of the project, expected to be Spring of 2016, to encourage them to equip the retail store with machinery, equipment, and other personal property. Rental payments during the term of this equipment lease 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. This lease agreement matures January 27, 2035.

NOTE 16 – NONCASH CAPITAL CONTRIBUTIONS

During 2015, the City granted a noncash capital contribution to the Board in the amount of \$171,969. 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 \$54,566.

Also see Note 15 for other capital contributions.

NOTE 17 - 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 18 - 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, incurred continuing construction costs related to the new waste water treatment plant and construction of the new LeConte Center is complete. 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, 2015 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 19 – OUTDOOR SPORTS FACILITY

The City is constructing a recreational complex that will include baseball facilities and will 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 will resemble a historic ballpark and be used to host youth baseball tournaments among other events. The City has entered into contractual agreements for the design and construction of the project totaling \$23,000,000, with costs incurred to date of approximately \$18,000,000. The City has issued two General Obligation Bonds totaling \$19,640,000 related to the project and plans a third issuance in March 2016. The facility is expected to be completed in December 2015 and hosting events in spring 2016. The City has entered into a management agreement with an outside party to manage the operations of the facility.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE, TENNESSEE

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

Actuarial Valuation	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/14	\$0	\$950,339	\$950,339	0%	\$13,142,231	7.3%
07/01/13	\$0	\$884,000	\$884,000	0%	\$12,146,348	6.6%

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, 2015

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Tourism Development Zone Fund	City Buildings	Construction	
- ASSETS -							
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 71,583	\$ 309,884	\$ 381,467
Due from Other Funds	0	97,136	0	368,362	0	0	465,498
Restricted Assets							
Cash	451,452	784,411	376,787	0	0	0	1,612,650
Receivables	<u>45,208</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,208</u>
TOTAL ASSETS	<u>\$ 496,660</u>	<u>\$ 881,547</u>	<u>\$ 376,787</u>	<u>\$ 368,362</u>	<u>\$ 71,583</u>	<u>\$ 309,884</u>	<u>\$ 2,504,823</u>
- LIABILITIES AND FUND BALANCES -							
LIABILITIES							
Accounts Payable	\$ 13,785	\$ 96,361	\$ 174	\$ 0	\$ 0	\$ 0	\$ 110,320
Total Liabilities	<u>13,785</u>	<u>96,361</u>	<u>174</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,320</u>
FUND BALANCES							
Restricted	482,875	785,186	376,613	368,362	0	0	2,013,036
Unrestricted							
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>71,583</u>	<u>309,884</u>	<u>381,467</u>
Total Fund Balances	<u>482,875</u>	<u>785,186</u>	<u>376,613</u>	<u>368,362</u>	<u>71,583</u>	<u>309,884</u>	<u>2,394,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 496,660</u>	<u>\$ 881,547</u>	<u>\$ 376,787</u>	<u>\$ 368,362</u>	<u>\$ 71,583</u>	<u>\$ 309,884</u>	<u>\$ 2,504,823</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Tourism Development Zone Fund	City Buildings Fund	Construction Fund	
REVENUES:							
State Gasoline and Motor Fuel Tax (Intergovernmental)	\$ 247,065	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 247,065
State Sales Tax (Intergovernmental)	0	0	0	3,665,056	0	0	3,665,056
Fees and Charges for Services	0	1,117,090	0	0	0	0	1,117,090
Fines and Penalties	0	9,139	43,662	0	0	0	52,801
Interest and Dividends	0	1,057	0	0	35	464	1,556
Total Revenues	<u>247,065</u>	<u>1,127,286</u>	<u>43,662</u>	<u>3,665,056</u>	<u>35</u>	<u>464</u>	<u>5,083,568</u>
EXPENDITURES:							
Highways and Streets	125,007	0	0	0	0	0	125,007
Solid Waste/Sanitation	0	1,640,835	0	0	0	0	1,640,835
Drug Prevention	0	0	12,908	0	0	0	12,908
Debt Service	0	241,313	0	1,785,879	0	0	2,027,192
Total Expenditures	<u>125,007</u>	<u>1,882,148</u>	<u>12,908</u>	<u>1,785,879</u>	<u>0</u>	<u>0</u>	<u>3,805,942</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>122,058</u>	<u>(754,862)</u>	<u>30,754</u>	<u>1,879,177</u>	<u>35</u>	<u>464</u>	<u>1,277,626</u>
OTHER FINANCING SOURCES (USES):							
Transfers to Other Funds	0	0	0	(2,628,716)	0	0	(2,628,716)
Transfers from Other Funds	0	837,492	0	0	0	0	837,492
Total Other Financing Sources (Uses)	<u>0</u>	<u>837,492</u>	<u>0</u>	<u>(2,628,716)</u>	<u>0</u>	<u>0</u>	<u>(1,791,224)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>122,058</u>	<u>82,630</u>	<u>30,754</u>	<u>(749,539)</u>	<u>35</u>	<u>464</u>	<u>(513,598)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>360,817</u>	<u>702,556</u>	<u>345,859</u>	<u>1,117,901</u>	<u>71,548</u>	<u>309,420</u>	<u>2,908,101</u>
FUND BALANCES, END OF YEAR	<u>\$ 482,875</u>	<u>\$ 785,186</u>	<u>\$ 376,613</u>	<u>\$ 368,362</u>	<u>\$ 71,583</u>	<u>\$ 309,884</u>	<u>\$ 2,394,503</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State Gasoline and Motor Fuel Tax	\$ 200,000	\$ 200,000	\$ 247,065	\$ 47,065
EXPENDITURES:				
Street Lighting Maintenance	75,000	75,000	87,916	(12,916)
Traffic Signal Maintenance	38,000	38,000	36,933	1,067
Street Repair and Maintenance	87,000	87,000	158	86,842
Total Expenditures	200,000	200,000	125,007	74,993
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	122,058	122,058
FUND BALANCES, BEGINNING OF YEAR	360,817	360,817	360,817	0
FUND BALANCES, END OF YEAR	\$ 360,817	\$ 360,817	\$ 482,875	\$ 122,058

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for Services	\$ 1,115,000	\$ 1,115,000	\$ 1,117,090	\$ 2,090
Fines and Penalties	12,000	12,000	9,139	(2,861)
Interest	750	750	1,057	307
Total Revenues	1,127,750	1,127,750	1,127,286	(464)
EXPENDITURES				
Personnel Costs	745,736	745,736	691,481	54,255
Supplies	243,247	243,247	195,816	47,431
Maintenance	23,880	23,880	13,271	10,609
General Services	711,066	711,066	740,267	(29,201)
Debt Service	241,313	241,313	241,313	0
Total Expenditures	1,965,242	1,965,242	1,882,148	83,094
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	(837,492)	(837,492)	(754,862)	82,630
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	837,492	837,492	837,492	0
Total Other Financing Sources (Uses)	837,492	837,492	837,492	0
EXCESS (DEFICIENCY) OF REVENUES AND				
OTHER FINANCING SOURCES OVER				
(UNDER) EXPENDITURES	0	0	82,630	82,630
FUND BALANCES, BEGINNING OF YEAR				
	702,556	702,556	702,556	0
FUND BALANCES, END OF YEAR				
	\$ 702,556	\$ 702,556	\$ 785,186	\$ 82,630

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Fines and Penalties	\$ 30,000	\$ 30,000	\$ 43,662	\$ 13,662
Interest	10,000	10,000	0	(10,000)
Total Revenues	40,000	40,000	43,662	3,662
EXPENDITURES:				
Operating Supplies	2,920	2,920	3,678	(758)
Public Relations	4,500	4,500	934	3,566
Informant Payments	22,680	22,680	6,000	16,680
Repairs	5,000	5,000	1,422	3,578
Other	4,900	4,900	874	4,026
Capital Outlay	0	70,000	0	70,000
Total Expenditures	40,000	110,000	12,908	97,092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(70,000)	30,754	100,754
FUND BALANCES, BEGINNING OF YEAR	345,859	345,859	345,859	0
FUND BALANCES, END OF YEAR	\$ 345,859	\$ 275,859	\$ 376,613	\$ 100,754

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TOURISM DEVELOPMENT ZONE FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
REVENUES:				
State Sales Tax	\$ 4,098,748	\$ 4,098,748	\$ 3,665,056	\$ (433,692)
Total Revenues	<u>4,098,748</u>	<u>4,098,748</u>	<u>3,665,056</u>	<u>(433,692)</u>
EXPENDITURES:				
Debt Service	<u>6,113,204</u>	<u>6,113,204</u>	<u>1,785,879</u>	<u>4,327,325</u>
EXCESS (DEFICIENCY) OF REVENUES (OVER) (UNDER) EXPENDITURES	<u>(2,014,456)</u>	<u>(2,014,456)</u>	<u>1,879,177</u>	<u>3,893,633</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Event Center Fund	0	0	(2,628,716)	(2,628,716)
Transfer from General Fund	597,512	597,512	0	(597,512)
Transfer from Water and Sewer Fund	<u>1,416,944</u>	<u>1,416,944</u>	<u>0</u>	<u>(1,416,944)</u>
Total Other Financing Sources (Uses)	<u>2,014,456</u>	<u>2,014,456</u>	<u>(2,628,716)</u>	<u>(4,643,172)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	0	(749,539)	(749,539)
FUND BALANCES, BEGINNING OF YEAR	<u>1,117,901</u>	<u>1,117,901</u>	<u>1,117,901</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,117,901</u>	<u>\$ 1,117,901</u>	<u>\$ 368,362</u>	<u>\$ (749,539)</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL

PROPRIETARY FUND - WATER AND SEWER FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES:				
Fees and Charges for Services:				
Water Sales	\$ 7,802,542	\$ 7,802,542	\$ 7,911,700	\$ 109,158
Sewer Service Charges	5,344,383	5,344,383	5,649,972	305,589
Other Fees and Charges for Services	86,400	86,400	76,550	(9,850)
Total Fees and Charges for Services	<u>13,233,325</u>	<u>13,233,325</u>	<u>13,638,222</u>	<u>404,897</u>
Fines and Penalties	100,000	100,000	103,453	3,453
Other Revenues	60,000	60,000	91,487	31,487
Tap Fees	<u>100,000</u>	<u>100,000</u>	<u>243,524</u>	<u>143,524</u>
Total Operating Revenues	<u>13,493,325</u>	<u>13,493,325</u>	<u>14,076,686</u>	<u>583,361</u>
OPERATING EXPENSES:				
Purification				
Personnel Costs	527,011	527,011	494,356	32,655
Supplies	299,740	299,740	250,281	49,459
Maintenance	181,500	181,500	66,083	115,417
General Services	353,742	353,742	438,734	(84,992)
Capital Outlay	<u>1,056,330</u>	<u>1,056,330</u>	<u>184,196</u>	<u>872,134</u>
Total Purification	<u>2,418,323</u>	<u>2,418,323</u>	<u>1,433,650</u>	<u>984,673</u>
Transmission and Distribution				
Personnel Costs	435,507	435,507	433,187	2,320
Supplies	360,509	327,753	274,525	53,228
Maintenance	8,650	10,150	6,286	3,864
General Services	168,280	198,380	142,536	55,844
Capital Outlay	<u>407,510</u>	<u>408,666</u>	<u>5,603</u>	<u>403,063</u>
Total Transmission and Distribution	<u>1,380,456</u>	<u>1,380,456</u>	<u>862,137</u>	<u>518,319</u>
Sewer System				
Personnel Costs	275,474	275,474	279,242	(3,768)
Supplies	17,410	17,410	15,427	1,983
Maintenance	600	600	0	600
General Services	76,000	76,000	73,176	2,824
Capital Outlay	<u>0</u>	<u>152,500</u>	<u>0</u>	<u>152,500</u>
Total Sewer System	<u>369,484</u>	<u>521,984</u>	<u>367,845</u>	<u>154,139</u>
Sewer Treatment and Disposal				
General Services	2,573,696	2,573,696	2,538,246	35,450
Maintenance	<u>429,000</u>	<u>509,000</u>	<u>17,897</u>	<u>491,103</u>
Total Sewer Treatment and Disposal	<u>3,002,696</u>	<u>3,082,696</u>	<u>2,556,143</u>	<u>526,553</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (Continued)
PROPRIETARY FUND - WATER AND SEWER FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING EXPENSES (Continued):				
Customer Accounting and Collections				
Personnel Costs	117,858	117,858	109,680	8,178
Supplies	13,600	10,100	2,285	7,815
Maintenance	53,177	53,177	40,611	12,566
General Services	4,210	4,210	1,515	2,695
Capital Outlay	34,000	37,500	118	37,382
Total Customer Accounting and Collections	222,845	222,845	154,209	68,636
Administrative and General				
Personnel Costs	6,750	6,750	12,490	(5,740)
General Services	2,024,497	2,049,497	774,545	1,274,952
Capital Outlay	1,084,613	1,084,613	0	1,084,613
Total Administrative and General	3,115,860	3,140,860	787,035	2,353,825
Other Operating Expenses				
Depreciation	0	0	1,411,865	(1,411,865)
Total Other Operating Expenses	0	0	1,411,865	(1,411,865)
Total Operating Expenses	10,509,664	10,767,164	7,572,884	3,194,280
OPERATING INCOME (LOSS)	2,983,661	2,726,161	6,503,802	3,777,641
NONOPERATING REVENUES (EXPENSES)				
Interest and Dividends	21,000	21,000	298,908	277,908
Debt Service Fees	0	0	(87,693)	(87,693)
Interest Expense	(1,587,717)	(1,587,717)	(1,284,790)	302,927
Change in Fair Value of Investments	0	0	(49,870)	(49,870)
Change in Fair Value of Derivatives - Interest Rate Swap	0	0	(68,160)	(68,160)
Total Nonoperating Revenues (Expenses)	(1,566,717)	(1,566,717)	(1,191,605)	375,112

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (Continued)
PROPRIETARY FUND - WATER AND SEWER FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
CHANGE IN NET POSITION BEFORE TRANSFERS	1,416,944	1,159,444	5,312,197	4,152,753
TRANSFERS TO OTHER FUNDS	<u>(1,416,944)</u>	<u>(1,416,944)</u>	<u>0</u>	<u>1,416,944</u>
CHANGE IN NET POSITION	<u>0</u>	<u>(257,500)</u>	<u>5,312,197</u>	<u>5,569,697</u>
NET POSITION, BEGINNING OF YEAR	<u>41,209,181</u>	<u>41,209,181</u>	<u>41,209,181</u>	<u>0</u>
NET POSITION, END OF YEAR	<u>\$ 41,209,181</u>	<u>\$ 40,951,681</u>	<u>\$ 46,521,378</u>	<u>\$ 5,569,697</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
PROPRIETARY FUND - LECONTE CENTER
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES:				
Fees and Charges for Services:	\$ 476,500	\$ 476,500	\$ 657,737	\$ 181,237
Total Operating Revenues	<u>476,500</u>	<u>476,500</u>	<u>657,737</u>	<u>181,237</u>
OPERATING EXPENSES:				
Personnel Costs	488,643	488,643	447,006	41,637
Supplies	115,449	114,224	73,738	40,486
Maintenance	74,470	74,470	38,436	36,034
General Services	969,066	970,291	770,000	200,291
Depreciation	0	0	1,396,533	(1,396,533)
Total Operating Expenses	<u>1,647,628</u>	<u>1,647,628</u>	<u>2,725,713</u>	<u>(1,078,085)</u>
OPERATING INCOME (LOSS)	<u>(1,171,128)</u>	<u>(1,171,128)</u>	<u>(2,067,976)</u>	<u>(896,848)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Expense	0	(2,629,000)	(2,312,928)	316,072
CHANGE IN NET POSITION BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(1,171,128)	(3,800,128)	(4,380,904)	(580,776)
CAPITAL CONTRIBUTION - CAPITAL ASSETS	0	0	54,566	54,566
TRANSFERS FROM OTHER FUNDS	<u>1,171,128</u>	<u>1,171,128</u>	<u>3,799,844</u>	<u>2,628,716</u>
CHANGE IN NET POSITION	0	(2,629,000)	(526,494)	2,102,506
NET POSITION, BEGINNING OF YEAR	<u>4,102,549</u>	<u>4,102,549</u>	<u>4,102,549</u>	<u>0</u>
NET POSITION, END OF YEAR	<u>\$ 4,102,549</u>	<u>\$ 1,473,549</u>	<u>\$ 3,576,055</u>	<u>\$ 2,102,506</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, 2015

Federal Grantor/Pass-through Grantor Program	CFDA Number	Grant Number Contract Number	Receivable (Deferral) June 30, 2014	Cash Receipts	Expenditures	Adjustments	Receivable (Deferral) June 30, 2015
Federal Awards							
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	\$ 17,668	\$ 0	\$ 57,916	\$ 0	\$ 75,584
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00342	85,110	0	96,013	0	181,123
Total CFDA Number 97.083			<u>102,778</u>	<u>0</u>	<u>153,929</u>	<u>0</u>	<u>256,707</u>
Total U.S. Department of Homeland Security Direct Programs			<u>102,778</u>	<u>0</u>	<u>153,929</u>	<u>0</u>	<u>256,707</u>
Passed through the Tennessee Emergency Management Agency:							
Hazard Mitigation Grant	97.039	HMGP-1909-0084	220,498	248,862	28,364	0	0
Total passed through the Tennessee Emergency Management Agency			<u>220,498</u>	<u>248,862</u>	<u>28,364</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Homeland Security			<u>323,276</u>	<u>248,862</u>	<u>182,293</u>	<u>0</u>	<u>256,707</u>
U.S. Department of Transportation							
Passed through the Tennessee Department of Transportation:							
Trolley Capital Assistance	20.509	TN-04-0045-01	163,760	0	0	(163,760)	0
Total CFDA Number 20.509			<u>163,760</u>	<u>0</u>	<u>0</u>	<u>(163,760)</u>	<u>0</u>
High Visibility Law Enforcement Campaign Grant	20.607	Z-14-GHS2-76	0	4,626	4,626	0	0
High Visibility Law Enforcement Campaign Grant	20.607	Z-14-GHS2-78	0	4,957	4,957	0	0
Total CFDA Number 20.607			<u>0</u>	<u>9,582</u>	<u>9,582</u>	<u>0</u>	<u>0</u>
Total Passed through the Tennessee Department of Transportation			<u>163,760</u>	<u>9,582</u>	<u>9,582</u>	<u>(163,760)</u>	<u>0</u>
Total Federal Awards			<u>487,036</u>	<u>258,444</u>	<u>191,875</u>	<u>(163,760)</u>	<u>256,707</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)
For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor Program	CFDA Number	Grant Number Contract Number	Receivable (Deferral) June 30, 2014	Cash Receipts	Expenditures	Adjustments	Receivable (Deferral) June 30, 2015
State Awards							
Tennessee Department of Transportation							
Trolley Capital Assistance		GG-12-39431-00	\$ 20,729	\$ 0	\$ 0	\$ (20,729)	\$ 0
Trolley Operating Assistance Grant		GG-14-40011-00	324,468	324,468	0	0	0
Trolley Operating Assistance Grant		Z-15-UROP10-00	<u>0</u>	<u>0</u>	<u>606,100</u>	<u>0</u>	<u>606,100</u>
Total Awards from Tennessee Department of Transportation			<u>345,197</u>	<u>324,468</u>	<u>606,100</u>	<u>(20,729)</u>	<u>606,100</u>
Tennessee State Library and Archives							
Library Serves and Technology Grant		30504-00315-107	<u>0</u>	<u>961</u>	<u>961</u>	<u>0</u>	<u>0</u>
Total Awards from Tennessee Office of the Secretary of State			<u>0</u>	<u>961</u>	<u>961</u>	<u>0</u>	<u>0</u>
Total State Awards			<u>345,197</u>	<u>325,429</u>	<u>607,061</u>	<u>(20,729)</u>	<u>606,100</u>
Total Federal and State Awards			<u>\$ 832,233</u>	<u>\$ 583,873</u>	<u>\$ 798,936</u>	<u>\$ (184,489)</u>	<u>\$ 862,807</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, 2015

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 requirement of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. 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, 2015

	Water	Sewer	Total
OPERATING REVENUES:			
Fees and Charges for Services	\$ 8,052,919	\$ 5,585,303	\$ 13,638,222
Fines and Penalties	62,072	41,381	103,453
Other Revenues	59,676	31,811	91,487
Tap Fees	160,424	83,100	243,524
Total Operating Revenues	8,335,091	5,741,595	14,076,686
OPERATING EXPENSES:			
Purification	1,433,650	0	1,433,650
Transmission and Distribution	862,137	0	862,137
Sewer System	0	367,845	367,845
Sewer Treatment and Disposal	0	2,556,143	2,556,143
Customer Accounting and Collections	92,526	61,683	154,209
Administrative and General	624,253	162,782	787,035
Depreciation	847,119	564,746	1,411,865
Total Operating Expenses	3,859,685	3,713,199	7,572,884
OPERATING INCOME (LOSS)	4,475,406	2,028,396	6,503,802
NONOPERATING REVENUES (EXPENSES):			
Interest and Dividends	239,126	59,782	298,908
Debt Service Fees	(70,154)	(17,539)	(87,693)
Interest Expense	(513,916)	(770,874)	(1,284,790)
Change in Fair Value of Investments	(24,935)	(24,935)	(49,870)
Change in Fair Value of Derivatives - Interest Rate Swap	(34,080)	(34,080)	(68,160)
Total Nonoperating Revenues (Expenses)	(403,959)	(787,646)	(1,191,605)
CHANGE IN NET POSITION	\$ 4,071,447	\$ 1,240,750	5,312,197
NET POSITION, BEGINNING OF YEAR			41,209,181
NET POSITION, END OF YEAR			\$ 46,521,378

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, 2015

	General Obligation Bonds			General Obligation Refunding Bonds			Loans Payable to Public Building Authority		
	Series 2012			Series 2008A			VII-K-1		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 700,000	\$ 874,100	\$ 1,574,100	\$ 286,059	\$ 402,817	\$ 688,876	\$ 15,000	\$ 861,750	\$ 876,750
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	658,475	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
2021-2025	4,675,000	3,348,250	8,023,250	4,074,875	1,378,933	5,453,808	5,410,000	3,638,750	9,048,750
2026-2030	5,700,000	2,370,750	8,070,750	3,138,203	314,665	3,452,868	9,025,000	2,102,750	11,127,750
2031-2035	6,925,000	1,342,688	8,267,688	0	0	0	2,235,000	286,250	2,521,250
2036-2040	3,175,000	168,000	3,343,000	0	0	0	0	0	0
	<u>\$ 24,325,000</u>	<u>\$ 11,379,938</u>	<u>\$ 35,704,938</u>	<u>\$ 8,666,721</u>	<u>\$ 3,587,539</u>	<u>\$ 12,254,260</u>	<u>\$ 17,235,000</u>	<u>\$ 10,298,500</u>	<u>\$ 27,533,500</u>

	General Obligation Refunding Bonds			General Obligation Refunding Bonds			General Obligation Bonds		
	Series 2009			Series 2009B			Series 2014		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 225,000	\$ 8,437	\$ 233,437	\$ 1,995,000	\$ 445,713	\$ 2,440,713	\$ 330,000	\$ 286,913	\$ 616,913
2017	0	0	0	2,075,000	365,913	2,440,913	335,000	277,012	612,012
2018	0	0	0	2,140,000	277,725	2,417,725	345,000	266,963	611,963
2019	0	0	0	2,230,000	186,775	2,416,775	360,000	256,612	616,612
2020	0	0	0	2,300,000	92,000	2,392,000	370,000	245,813	615,813
2021-2025	0	0	0	0	0	0	1,990,000	1,078,450	3,068,450
2026-2030	0	0	0	0	0	0	2,240,000	827,188	3,067,188
2031-2035	0	0	0	0	0	0	2,610,000	464,975	3,074,975
2036-2040	0	0	0	0	0	0	1,170,000	57,363	1,227,363
	<u>\$ 225,000</u>	<u>\$ 8,437</u>	<u>\$ 233,437</u>	<u>\$ 10,740,000</u>	<u>\$ 1,368,125</u>	<u>\$ 12,108,125</u>	<u>\$ 9,750,000</u>	<u>\$ 3,761,289</u>	<u>\$ 13,511,289</u>

	General Obligation Bonds		
	Series 2015		
	Principal	Interest	Total
2016	\$ 355,000	\$ 240,585	\$ 595,585
2017	365,000	233,485	598,485
2018	370,000	226,185	596,185
2019	380,000	218,785	598,785
2020	385,000	211,185	596,185
2021-2025	2,045,000	937,125	2,982,125
2026-2030	2,275,000	714,178	2,989,178
2031-2035	2,575,000	403,537	2,978,537
2036-2040	1,140,000	51,600	1,191,600
	<u>\$ 9,890,000</u>	<u>\$ 3,236,665</u>	<u>\$ 13,126,665</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, 2015

	General Obligation Refunding Bonds Series 2009			Loans Payable to Public Building Authority Series VII-K-1 **				
	Principal	Interest	Total	Principal	Interest	Interest Rate Swap, Net	Total Interest	Total
2016	\$ 180,000	\$ 34,695	\$ 214,695	\$ 385,000	\$ 106,574	\$ 405,647	\$ 512,221	\$ 897,221
2017	185,000	27,945	212,945	410,000	103,219	392,877	496,096	906,096
2018	190,000	21,470	211,470	435,000	99,646	379,278	478,924	913,924
2019	195,000	14,820	209,820	460,000	95,855	364,850	460,705	920,705
2020	195,000	7,410	202,410	485,000	91,847	349,593	441,440	926,440
2021-2025	0	0	0	4,305,000	367,431	1,398,537	1,765,968	6,070,968
2026-2030	0	0	0	5,750,000	156,200	594,540	750,740	6,500,740
	<u>\$ 945,000</u>	<u>\$ 106,340</u>	<u>\$ 1,051,340</u>	<u>\$ 12,230,000</u>	<u>\$ 1,020,772</u>	<u>\$ 3,885,322</u>	<u>\$ 4,906,094</u>	<u>\$ 17,136,094</u>

	General Obligation Refunding Bonds Series 2008A			General Obligation Bonds Series 2010				
	Principal	Interest	Total	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2016	\$ 203,941	\$ 287,181	\$ 491,122	\$ 0	\$ 3,174,250	\$ (1,331,598)	\$ 1,842,652	\$ 1,842,652
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
2021-2025	2,905,126	983,084	3,888,210	0	15,871,250	(6,657,989)	9,213,261	9,213,261
2026-2030	2,261,776	224,334	2,486,110	6,700,000	15,191,250	(6,372,729)	8,818,521	15,518,521
2031-2035	0	0	0	17,300,000	11,208,750	(4,702,071)	6,506,679	23,806,679
2036-2040	0	0	0	21,000,000	4,613,438	(1,935,337)	2,678,101	23,678,101
	<u>\$ 6,203,258</u>	<u>\$ 2,557,670</u>	<u>\$ 8,760,928</u>	<u>\$ 45,000,000</u>	<u>\$ 62,755,938</u>	<u>\$ (26,326,116)</u>	<u>\$ 36,429,822</u>	<u>\$ 81,429,822</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, 2015

	Public Facility Bonds Series 2011		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 330,000	\$ 2,304,275	\$ 2,634,275
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
2021-2025	10,500,000	10,210,875	20,710,875
2026-2030	13,350,000	7,378,750	20,728,750
2031-2035	18,050,000	3,873,750	21,923,750
2036	5,000,000	225,000	5,225,000
	<u>\$ 48,830,000</u>	<u>\$ 33,090,650</u>	<u>\$ 81,920,650</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULES OF PROPERTY TAX INFORMATION
For the Year Ended June 30, 2015

CHANGES IN TAXES RECEIVABLE

	<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Balance at Beginning of Year	\$ 0	\$ 171,746	\$ 171,746
Add:			
2015 Taxes Levied	1,247,113	0	1,247,113
2014 Taxes Levied	1,241,202	0	1,241,202
Adjustments	3,409	0	3,409
	<u>2,491,724</u>	<u>0</u>	<u>2,491,724</u>
Less:			
Collections	<u>1,180,296</u>	<u>139,802</u>	<u>1,320,098</u>
TAXES RECEIVABLE BEFORE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS	1,311,428	31,944	1,343,372
Less:			
Allowance for Uncollectible Accounts	<u>8,701</u>	<u>773</u>	<u>9,474</u>
TAXES RECEIVABLE, NET	<u>\$ 1,302,727</u>	<u>\$ 31,171</u>	<u>\$ 1,333,898</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
2015	\$ 623,556,399	0.200%	\$ 1,247,113	\$ 0	\$ 0	\$ 1,247,113
2014	620,600,883	0.200%	1,241,202	0	1,176,887	64,315
2013	610,964,011	0.200%	1,222,531	1,097,862	102,747	21,922
2012	606,602,130	0.200%	1,213,000	1,179,489	26,620	6,891
2011	605,096,338	0.200%	1,210,020	1,200,919	7,533	1,568
2010	642,934,304	0.124%	798,570	795,041	2,902	627
2009	641,429,200	0.124%	796,767	796,194	0	573
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	714,149	0	75
2005	477,386,473	0.124%	592,946	592,856	0	90
						<u>\$ 1,343,372</u>

Property taxes unpaid for periods prior to 2004 have been filed with the Sevier County Circuit Court Clerk.

CITY OF PIGEON FORGE, TENNESSEE
WATER AND SEWER FUND
SCHEDULE OF WATER AND SEWER RATES
June 30, 2015

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	\$26.52 (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, 2015

July	5,059
August	5,092
September	5,086
October	5,096
November	5,086
December	5,076
January	5,075
February	5,063
March	5,070
April	5,085
May	5,095
June	5,093

See Independent Auditor's Report.



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Water Audit Report for: City of Pigeon Forge
Reporting Year: 2015 7/2014 - 6/2015

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' ----->				Pcnt: Value:	
Volume from own sources:	+ ?	<input type="text" value="8"/>	<input type="text" value="1,571.303"/>	MG/Yr	+	? <input type="text" value="8"/>	<input type="text" value=""/>
Water imported:	+ ?	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr	+	? <input type="text" value="n/a"/>	<input type="text" value=""/>
Water exported:	+ ?	<input type="text" value="9"/>	<input type="text" value="102.903"/>	MG/Yr	+	? <input type="text" value="5"/>	<input type="text" value=""/>

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="1,136.809"/>	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="32.443"/>	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

		Pcnt: Value:	
		<input type="text" value="1.25%"/>	<input type="text" value="32.443"/>

Click here: ?
for help using option buttons below
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="35.159"/>	MG/Yr
Systematic data handling errors:	+ ?	<input type="text" value="6"/>	<input type="text" value="3.410"/>	MG/Yr

Apparent Losses: MG/Yr

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

<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="3.410"/>	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="152.2"/>	miles
Number of <u>active AND inactive</u> service connections:	+ ?	<input type="text" value="6"/>	<input type="text" value="5,037"/>	
Service connection density:	?	<input type="text" value=""/>	<input type="text" value="33"/>	conn./mile main

Are customer meters typically located at the curbside 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 length of customer service line: + ? ft

Average operating pressure: + ? psi

COST DATA

Total annual cost of operating water system:	+ ?	<input type="text" value="10"/>	<input type="text" value="\$3,859,685"/>	\$/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="\$523.19"/>	\$/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

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Water Audit Report for:
Reporting Year:

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

System Attributes:

	Apparent Losses:	42.240	MG/Yr
+	Real Losses:	256.908	MG/Yr
=	Water Losses:	299.148	MG/Yr

? Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:

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:
Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day: gallons/connection/day
Real Losses per length of main per day*:
Real Losses per service connection per day per psi pressure: 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

COMPLIANCE SECTION

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

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, 2015, 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 14, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses and referenced as item 2015-001 that we consider to be a significant deficiency.



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*.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 14, 2015

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

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 Response - 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.

