NEW ISSUES
Book-Entry-Only

Ratings: Moody's: "Aa3"
S&P: "AA"

PRELIMINARY OFFICIAL STATEMENT

$64,945,000*

CITY OF MARYVILLE, TENNESSEE

$31,525,000* General Obligation Refunding Bonds, Series 2017A

OFFERED FOR SALE AT
11:15 A.M. E. S. T.
Monday, November 6, 2017

$33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B

OFFERED FOR SALE AT
11:45 A.M. E. S. T.
Monday, November 6, 2017

Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

October 25, 2017

*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 25, 2017

NEW ISSUES
BOOK-ENTRY-ONLY

Ratings: Moody's: "Aa3"
S&P: "AA"
(See "MISCELLANEOUS-Ratings")

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

$64,945,000*
CITY OF MARYVILLE, TENNESSEE
$31,525,000* General Obligation Refunding Bonds, Series 2017A
$33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B

Dated: Date of Delivery (assume December 1, 2017) Due: June 1 (as indicated on the inside cover)

The $31,525,000* General Obligation Refunding Bonds, Series 2017A (the "Series 2017A Bonds") and the $33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B Bonds) (the Series 2017A Bonds and Series 2017B Bonds are collectively referred to as the "Bonds") shall be issued by the City of Maryville, Tennessee (the "City", "Municipality", or "Issuer") as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2018 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 the Registration Agent. In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent").

The Series 2017A Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

The Series 2017B Bonds shall be payable primarily from and be secured by a pledge of the revenues to be derived from the operation of the Municipality's Water and Sewer System (the "System"), subject to the costs of operating, maintaining, repairing and insuring the system and subject to any prior pledges of such net revenues in favor of any outstanding obligations of the Municipality secured by such revenues; and in the event of a deficiency of such revenues, the Series 2017B 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, premium, if any, and interest on the Series 2017B Bonds, the full faith and credit of the Municipality are irrevocably pledged.

Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026.

This cover page contains certain information for quick reference only. It is not a summary of these issues. 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 approving legal opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters in connection with the Bonds will be passed upon from Kizer & Black, Attorneys, PLLC, counsel to the City. It is expected that the Bonds, in book entry only form, will be available for delivery through the facilities of DTC, New York, New York, on or about December __, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

November __, 2017

*Preliminary, subject to change.

General Obligation Bonds
Series 2017A

Due (June 1)	2017A Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	2017A Amount*	Interest Rate	Yield	CUSIP**
2018	$ 235,000				2025	$ 2,270,000			
2019	950,000				2026	2,200,000			
2020	4,070,000				2027	2,175,000			
2021	4,200,000				2028	2,155,000			
2022	3,740,000				2029	2,210,000			
2023	2,375,000				2030	2,290,000			
2024	2,655,000								

General Obligation Bonds
Series 2017B

Due (June 1)	2017B Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	2017B Amount*	Interest Rate	Yield	CUSIP**
2018	$ 95,000				2029	$ 1,850,000			
2019	495,000				2030	1,915,000			
2020	485,000				2031	1,985,000			
2021	480,000				2032	2,050,000			
2022	480,000				2033	2,120,000			
2023	1,565,000				2034	2,185,000			
2024	1,585,000				2035	2,250,000			
2025	1,620,000				2036	2,310,000			
2026	1,640,000				2037	2,360,000			
2027	1,710,000				2038	2,460,000			
2028	1,780,000								

** 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.

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, (as defined herein) are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This 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 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 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 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.

CITY OF MARYVILLE, TENNESSEE

OFFICIALS

Honorable Thomas W. Taylor	*Mayor*
Greg McClain	*City Manager*
Sherri Phillips	*City Recorder*
Mike Swift	*Finance Director*
Melanie Davis, Esq.	*City Attorney*

COUNCIL MEMBERS

Andy White, Vice Mayor

Joe Swann

Tommy Hunt

Fred Metz

REGISTRATION AND PAYING AGENT

Regions Bank
Knoxville, 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 Maryville, Tennessee (the "City", "Municipality", or "Issuer"). See APPENDIX B contained herein.
The Bonds	$31,525,000* General Obligation Refunding Bonds, Series 2017A (the "Series 2017A Bonds") and $33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B Bonds") (the Series 2017A Bonds and Series 2017B Bonds are collectively referred to as the "Bonds") of the City, dated the date of issuance (assume December 1, 2017). The Series 2017A Bonds mature each June 1 beginning June 1, 2018 through June 1, 2030, inclusive. The Series 2017B Bonds mature each June 1 beginning June 1, 2018 through June 1, 2038, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.
Security	The Series 2017A Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged. The Series 2017B Bonds shall be payable primarily from and be secured by a pledge of the revenues to be derived from the operation of the Municipality's Water and Sewer System (the "System"), subject to the costs of operating, maintaining, repairing and insuring the system and subject to any prior pledges of such net revenues in favor of any outstanding obligations of the Municipality secured by such revenues; and in the event of a deficiency of such revenues, the Series 2017B 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, premium, if any, and interest on the Series 2017B Bonds, the full faith and credit of the Municipality are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of providing funds for (i) refinancing, in whole or in part, certain Outstanding Bonds of the City, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the issuance of the Bonds.
Optional Redemption	The Bonds maturing on or after June 1, 2027 are subject to optional redemption prior to maturity on or after June 1, 2026, 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.
Ratings	Moody's : "Aa3", and S&P: "AA". See the section entitled "MISCELLANEOUS - Ratings" for more information.
Registration & Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").

*Preliminary, subject to change.

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 the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book-Entry-Only System".

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

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

Other Information.....The information in the PRELIMINARY OFFICIAL STATEMENT is deemed "final" within the meaning of Rule 15c2-12 the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact Mr. Mike Swift, Finance Director, 404 W. Broadway Avenue, Maryville, Tennessee 37801, Telephone: (865) 273-3401; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

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

	2012	2013	2014	2015	2016
Beginning Fund Balance	$ 6,069,123	$ 6,578,428	$ 6,996,507	$ 7,794,799	$ 8,720,364
Revenues	31,695,429	31,655,646	32,795,350	35,669,557	37,716,523
Expenditures	17,786,742	18,018,092	18,544,532	20,350,479	22,617,748
Other Financing Sources:					
Transfers In	1,411,107	1,449,365	1,472,437	1,492,314	1,570,642
Transfers Out	(14,810,489)	(14,555,707)	(14,811,830)	(15,772,694)	(16,771,041)
Bond/Note/Lease Proceeds	-	(113,133)	(113,133)	(113,133)	(113,133)
Adjustments	-	-	-	-	-
Ending Fund Balance	**$ 6,578,428**	**$ 6,996,507**	**$ 7,794,799**	**$ 8,720,364**	**$8,505,607**

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

SUMMARY NOTICE OF SALE

$64,945,000*
CITY OF MARYVILLE, TENNESSEE
$31,525,000* General Obligation Refunding Bonds, Series 2017A
$33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B

NOTICE IS HEREBY GIVEN that the City of Maryville, Tennessee (the "City") will receive electronic or written bids until **11:15 a.m. E.S.T.** on **Monday, November 6, 2017** for the purchase of all, but not less than all, of the City's $31,525,000* General Obligation Refunding Bonds, Series 2017A (the "Series 2017A 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 Series 2017A 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 10:00 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.

NOTICE IS HEREBY GIVEN that the City of Maryville, Tennessee (the "City") will receive electronic or written bids until **11:45 a.m. E.S.T.** on **Monday, November 6, 2017** for the purchase of all, but not less than all, of the City's $33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B 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 Series 2017B 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 10:00 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 Series 2017A 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 December 1, 2017). The Series 2017A Bonds will mature on June 1 in the years 2018 through 2030, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2018, and will be subject to optional redemption prior to maturity on or after June 1, 2026 at par plus accrued interest. Bidders must bid not less than ninety-nine

*Preliminary, subject to change.

and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for the Series 2017A Bonds. The approving opinion for the Series 2017A 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 Series 2017A Bonds shall exceed five percent (5.00%) per annum.

The Series 2017B 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 December 1, 2017). The Series 2017B Bonds will mature on June 1 in the years 2018 through 2038, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2018, and will be subject to optional redemption prior to maturity on or after June 1, 2026 at par plus accrued interest. 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 Series 2017B Bonds. The approving opinion for the Series 2017B 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 Series 2017B Bonds shall exceed five percent (5.00%) per annum.

Unless bids for any series are rejected, the Series 2017A Bonds and Series 2017B Bonds will be awarded by the Mayor of the City on the sale date to the bidders whose bids results in the lowest true interest rate on the Series 2017A Bonds and Series 2017B Bonds, respectively.

In the event that the competitive sale requirements for establishing the issue price of the Bonds are not satisfied, as more fully described in the Detailed Notice of Sale, the City will reject all bids and cancel the sale.

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 MARYVILLE, TENNESSEE
By: Thomas W. Taylor, Mayor

DETAILED NOTICE OF SALE

$64,945,000*

CITY OF MARYVILLE, TENNESSEE

$31,525,000* General Obligation Refunding Bonds, Series 2017A
$33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B

NOTICE IS HEREBY GIVEN that the City of Maryville, Tennessee (the "City") will receive electronic or written bids until **11:15 a.m. E.S.T.** on **Monday, November 6, 2017** for the purchase of all, but not less than all, of the City's $31,525,000* General Obligation Refunding Bonds, Series 2017A (the "Series 2017A 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 Series 2017A 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 10:00 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.

NOTICE IS HEREBY GIVEN that the City of Maryville, Tennessee (the "City") will receive electronic or written bids until **11:45 a.m. E.S.T.** on **Monday, November 6, 2017** for the purchase of all, but not less than all, of the City's $33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B 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 Series 2017B 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 10:00 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, 2018, 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.

The Series 2017A Bonds will mature and be payable on June 1 of each year as on the following page:

*Preliminary, subject to change.

SERIES 2017A

YEAR (June 1)	AMOUNT*	YEAR (June 1)	AMOUNT*
2018	$ 235,000	2025	$ 2,270,000
2019	950,000	2026	2,200,000
2020	4,070,000	2027	2,175,000
2021	4,200,000	2028	2,155,000
2022	3,740,000	2029	2,210,000
2023	2,375,000	2030	2,290,000
2024	2,655,000		

The Series 2017B Bonds will mature and be payable on June 1 of each year as follows:

SERIES 2017B

YEAR (June 1)	AMOUNT*	YEAR (June 1)	AMOUNT*
2018	$ 95,000	2029	$ 1,850,000
2019	495,000	2030	1,915,000
2020	485,000	2031	1,985,000
2021	480,000	2032	2,050,000
2022	480,000	2033	2,120,000
2023	1,565,000	2034	2,185,000
2024	1,585,000	2035	2,250,000
2025	1,620,000	2036	2,310,000
2026	1,640,000	2037	2,360,000
2027	1,710,000	2038	2,460,000
2028	1,780,000		

*Preliminary, subject to change.

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 only 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 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 Series 2017A General Obligation Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

The Series 2017B Bonds shall be payable primarily from and be secured by a pledge of the revenues to be derived from the operation of the Municipality's Water and Sewer System (the "System"), subject to the costs of operating, maintaining, repairing and insuring the system and subject to any prior pledges of such net revenues in favor of any outstanding obligations of the Municipality secured by such revenues; and in the event of a deficiency of such revenues, the Series 2017B 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, premium, if any, and interest on the Series 2017B Bonds, the full faith and credit of the Municipality are irrevocably pledged.

Purpose. The Bonds are being issued for the purpose of providing funds for (i) refinancing, in whole or in part, certain Outstanding Bonds of the City, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the issuance of the Bonds.

Optional Redemption. The Bonds maturing on and after June 1, 2027 will be subject to optional redemption prior to maturity at the option of the City on and after June 1, 2026 at the redemption price of par plus accrued interest as provided herein.

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 series of 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 same manner as 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 five percent (5.00%) 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 no more than one hundred and twenty-five percent (125%) of par.

Bidders may designate consecutive serial maturities of the Bonds as one or more Term Bond Maturities equal in aggregate principal amount to, and with mandatory redemption requirements corresponding to such designated serial maturities.

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 Detailed Notice of Sale 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 bids 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 of the City shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

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 down the original par amount of the Bonds by up to $8,400,000, per series. The primary factor to be considered in such adjustment is the amount of premium that is 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 providing for level debt service, 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. The maximum revision will occur only if the winning bidder bids the maximum price (including premium).

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 Standard 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.

Establishment of Issue Price

General. The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's financial advisor identified herein and any notice or report to be provided to the City may be provided to the City's financial advisor.

Anticipated Compliance with Competitive Sale Requirements. The City anticipates that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- all bidders shall have an equal opportunity to bid;
- the City expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City will reject all bids and cancel the sale.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A.

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.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the City as is described above relating to reoffering price.

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 in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information 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 if determined by the City to be material under applicable federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "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 notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the

notices of material 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 the successful bidder. Delivery will be made in book-entry 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. Delivery is currently expected on or about December 1, 2017.

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 U.S. 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 the *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(s) 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., Knoxville, Tennessee, 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 MARYVILLE, TENNESSEE

By: Thomas W. Taylor
Mayor

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Exhibit A to Detailed Notice of Sale

CITY OF MARYVILLE, TENNESSEE
$_____ GENERAL OBLICATION BONDS, SERIES 2017A**
$_____ WATER & SEWER REVENUE & TAX REFUNDING BONDS, SERIES 2017B**

**Each Series of Bonds will have a separate certificate.

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices shown on Exhibit A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Exhibit A are true and correct copies of a summary of the electronic bid provided by the Underwriter to purchase the Bonds and the Expected Offering Prices submitted on the Sale Date.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Issuer* means City of Maryville, Tennessee.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Regulatory Underwriter or a related party to a Regulatory Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Regulatory Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is Monday, November 6, 2017.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the

representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [Issue Date]

[UNDERWRITER], as Underwriter

By:_____

Name:_____

BID FORM – SERIES 2017A BONDS

The Honorable Thomas W. Taylor, Mayor
412 W. Broadway Avenue
Maryville, Tennessee 37801

November 6, 2017

Dear Mayor Taylor:

For your legally issued, properly executed $31,525,000* General Obligation Refunding Bonds, Series 2017A (the "Series 2017A Bonds") of City of Maryville, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ _____ ($_____).

The Series 2017A Bonds shall be dated the date of issuance (assume December 1, 2017) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Series 2017A Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	Amount*	Rate	Maturity (June 1)	Amount*	Rate
2018	$ 235,000	___	2025	$ 2,270,000	___
2019	950,000	___	2026	2,200,000	___
2020	4,070,000	___	2027	2,175,000	___
2021	4,200,000	___	2028	2,155,000	___
2022	3,740,000	___	2029	2,210,000	___
2023	2,375,000	___	2030	2,290,000	___
2024	2,655,000	___			___

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 Series 2017A Bonds are offered for sale to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Series 2017A 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 up to 2% of the Series 2017A 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 Series 2017A Bonds on which we have bid. This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.] [Add the following language in the event that the bidder does not intend to offer the Bonds to the public]: [We will not offer the Bonds for sale to the public.]

Accepted for and on behalf of the
City of Maryville, Tennessee, this
6th day of November, 2017.

_____
Thomas W. Taylor, Mayor

Respectfully submitted,

_____

_____

Total interest cost from
December 1, 2017 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.

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BID FORM – SERIES 2017B BONDS

The Honorable Thomas W. Taylor, Mayor
412 W. Broadway Avenue
Maryville, Tennessee 37801

November 6, 2017

Dear Mayor Taylor:

For your legally issued, properly executed $33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B Bonds") of City of Maryville, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of ($_____).

The Series 2017B Bonds shall be dated the date of issuance (assume December 1, 2017) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Series 2017B Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	Amount*	Rate	Maturity (June 1)	Amount*	Rate
2018	$ 95,000	___	2029	$ 1,850,000	___
2019	495,000	___	2030	1,915,000	___
2020	485,000	___	2031	1,985,000	___
2021	480,000	___	2032	2,050,000	___
2022	480,000	___	2033	2,120,000	___
2023	1,565,000	___	2034	2,185,000	___
2024	1,585,000	___	2035	2,250,000	___
2025	1,620,000	___	2036	2,310,000	___
2026	1,640,000	___	2037	2,360,000	___
2027	1,710,000	___	2038	2,460,000	___
2028	1,780,000	___			

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_____ @ _____%.
Term Bond 7: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

It is our understanding that the Series 2017B Bonds are offered for sale to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Series 2017B 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 up to 2% of the Series 2017A 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 Series 2017A Bonds on which we have bid. This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.] [Add the following language in the event that the bidder does not intend to offer the Bonds to the public]: [We will not offer of the Bonds for sale to the public.]

Accepted for and on behalf of the
City of Maryville, Tennessee, this
6th day of November, 2017.

_____
Thomas W. Taylor, Mayor

Respectfully submitted,

_____

_____

Total interest cost from
December 1, 2017 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.

$64,945,000*

CITY OF MARYVILLE, TENNESSEE

$31,525,000* General Obligation Refunding Bonds, Series 2017A
$33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B

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 Maryville, Tennessee (the "City", "Municipality" or "Issuer") of its $31,525,000* General Obligation Refunding Bonds, Series 2017A (the "Series 2017A Bonds") and $33,420,000* Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B Bonds") (the Series 2017A Bonds and Series 2017B Bonds are collectively referred to as the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated,* as amended, and other applicable provisions of the law and pursuant to a resolution adopted by the City Council of the City (the "City Council"). The detailed bond resolution (the "Resolution") was adopted by the City Council on October 3, 2017.

The Bonds are being issued for the purpose of providing funds for (i) refinancing, in whole or in part, certain Outstanding Bonds of the City, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the issuance of the Bonds.

REFUNDING PLAN

With the Series 2017A Bonds, the City is proposing to refinance a portion of the City's outstanding General Obligation Refunding Bonds, Series 2008C, dated December 18, 2008, maturing June 1, 2019 and thereafter to their June 1, 2018 call date at par plus accrued interest (the "Series 2008C Bonds"), General Obligation Refunding Bonds, Series 2009B, dated December 1, 2009, maturing June 1, 2020 and thereafter to their June 1, 2019 call date at par plus accrued interest (the "Series 2009B Bonds"), and General Obligation Refunding Bonds, Series 2010B, dated November 17, 2010, maturing June 1, 2024 and thereafter to their June 1, 2019 call date at par plus accrued interest (the "Series 2010B Bonds).

With the Series 2017B Bonds, the City is proposing to refinance a portion of the City's outstanding Water and Sewer Revenue and Tax Bonds, Series 2008A, dated June 10, 2008, maturing June 1, 2019 and thereafter (the "Series 2008A Bonds", collectively with the Series 2008C Bonds, the Series 2009B Bonds and the Series 2010B Bonds, the "Outstanding Bonds") to the June 1, 2018 call date at par plus accrued interest.

*Preliminary, subject to change.

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume December 1, 2017). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2018. The Bonds are issuable in registered book-entry only form and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

The Series 2017A Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

The Series 2017B Bonds shall be payable primarily from and be secured by a pledge of the revenues to be derived from the operation of the Municipality's Water and Sewer System (the "System"), subject to the costs of operating, maintaining, repairing and insuring the system and subject to any prior pledges of such net revenues in favor of any outstanding obligations of the Municipality secured by such revenues; and in the event of a deficiency of such revenues, the Series 2017B 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, premium, if any, and interest on the Series 2017B Bonds, the full faith and credit of the Municipality are irrevocably pledged.

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

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

OPTIONAL REDEMPTION

Bonds maturing June 1, 2027, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2026 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

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 manner described above with respect to optional redemption.

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

Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*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.

NOTICE OF REDEMPTION

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below. 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 described below 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 rep resenting their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 only system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

(a) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be deposited with a financial institution acting as escrow agent under a refunding escrow agreement to be held in an Escrow Fund established thereunder to be held and applied as provided therein, including paying the redemption price of the Outstanding Bonds on the earliest optional redemption date thereof; and

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

DISCHARGE AND SATISFACTION OF BONDS

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

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

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

3. By delivering such Bonds to the Registration Agent for cancellation by it;

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

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

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates (which may be consolidated into one or more certificates) including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a amendment or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation

of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and an incumbency certificate, signed by the Mayor and City Recorder acting in their official capacity certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond counsel has not prepared the PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the PRELIMINARY OFFICIAL STATEMENT or OFFICIAL STATEMENT, in final form, except for the information under the caption TAX MATTERS. The opinion of bond counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of opinion is included in "APPENDIX A-Form of Legal Opinion".

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MISCELLANEOUS

RATINGS

Moody's Investor Services, Inc. ("Moody's") and S&P Global Ratings ("S&P") have given the Bonds the ratings of "Aa2" and "AA", respectively to the Bonds. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings should be obtained from such agencies.

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

Any explanation of the significance of the ratings may be obtained only from Moody's and S&P.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on November 6, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 25, 2017.

The successful bidder for the Series 2017A 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 Series 2017A Bonds at a purchase price of $_____ (consisting of the par amount of the Series 2017A Bonds, less an underwriter's discount of $_____ and less an original issue discount of $_____) or ____% of par.

The successful bidder for the Series 2017B 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 Series 2017B Bonds at a purchase price of $_____ (consisting of the par amount of the Series 2017B 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 been employed by the City to serve as its Financial Advisor. The Financial Advisor is an independently owned financial advisory firm.

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 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.

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 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 the issuance of up to $16 million of new debt for capital projects. Additionally, the City has various capital projects which may or may not be funded in future years.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2017 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. In the past five years, the City has filed its Annual Reports on time at www.emma@msrb.org under the base CUSIP Number 574531 which is the base CUSIP Number for the City. However, the City inadvertently failed to also file such Annual Reports for fiscal year ending June 30, 2012 under the CUSIP Numbers of the Local Government Public Improvement Bonds, Taxable Series B-10-A (City of Alcoa, Tennessee/City of Maryville, Tennessee/Blount County, Tennessee), dated June 29, 2006 (the "Series B-10-A Bonds"); Local Government Public Improvement Bonds, Series B-17-A (City of Alcoa, Tennessee/City of Maryville, Tennessee/Blount County, Tennessee), dated June 20, 2008 (the "Series B-17-A Bonds"); and the Local Government Public Improvement Bonds (Maryville Civic Arts Center Project), Series 2009C dated November 15, 2011 (the "Series 2009C Bonds") for which the City was an obligated person. The City did file the Annual Reports for fiscal year ending June 30, 2012 for the Series B-10-A Bonds, Series B-17-A Bonds and Series 2009C Bonds on July 24, 2014, however, the Annual Reports were available under the City's base CUSIP which were filed on time on March 4, 2013. The City filed the Annual Reports for fiscal year ending June 30, 2013 through June 30, 2016 on time for both the City's base CUSIP and the Series B-10-A Bonds, Series B-17-A Bonds and Series 2009C Bonds CUSIPS.

While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12.

The City does not deem any of the foregoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements 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."

2. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-15;

3. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-16 and B-17;

4. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-18;

5. Information about the Bonded Debt Service Requirements –Water and Sewer Debt Service Fund as of the end of such fiscal year as shown on page B-19;

6. Information about the Bonded Debt Service Requirements – Electric Debt Service Fund as of the end of such fiscal year as shown on page B-20;

7. The fund balances and retained earnings for the fiscal year as shown on page B-22;

8. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-23;

9. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer Fund for the fiscal year as shown on page B-24;

10. Summary of Revenues, Expenditures and Changes in Fund Balances - Electric Fund for the fiscal year as shown on page B-25;

9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-31;

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-31; and

11. The ten largest taxpayers as shown on page B-32.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

    c. Unscheduled draws on debt service reserves reflecting financial difficulties;

    d. Unscheduled draws on credit enhancements reflecting financial difficulties;

    e. Substitution of credit or liquidity providers, or their failure to perform;

    f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

    g. Modifications to rights of Bondholders, if material;

    h. Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the securities, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting

principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

ADDITIONAL INFORMATION

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

Any statements made in this Preliminary 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 Preliminary 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(b) of the U.S. Securities and Exchange Commission except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12(b).

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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 Maryville, Tennessee (the "Issuer") of its $_____ General Obligation Refunding Bonds, Series 2017A (the "Series 2017A Bonds") and its $_____ Water & Sewer Revenue & Tax Refunding Bonds, Series 2017B (the "Series 2017B Bonds," and together with the Series 2017A Bonds, the "Bonds") dated _____, 2017. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Series 2017A 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 Series 2017A Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

4. The Series 2017B Bonds shall be payable primarily from and be secured by a pledge of the revenues of the Issuer's water and sewer system (the "System"), subject to the costs of operating, maintaining, repairing and insuring the System and subject to any prior pledges of such revenues in favor of any outstanding obligations of the Issuer secured by such net revenues. In the event of a deficiency in such revenues, as to the sufficiency of which we express no opinion, the principal of and interest on the Series 2017 Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

5. 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, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

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

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

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

GENERAL

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

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

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

GOVERNMENT

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

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

TRANSPORTATION

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

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

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

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

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

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

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

McGhee Tyson is served by major and regional carriers including:

Major Airlines:		***Regional Carriers:***	
Allegiant Air	Frontier Airlines	American Eagle	United Express
Delta Airlines			

Source: Metropolitan Knoxville Airport Authority.

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

McGhee Tyson Airport

Year	**Total Commercial Passengers**	**Total Air Cargo in Pounds**
2007	1,821,581	100,286,989
2008	1,742,579	97,366,366
2009	1,680,716	82,304,377
2010	1,688,882	93,393,658
2011	1,773,671	92,390,849
2012	1,747,145	91,514,071
2013	1,676,374	84,029,942
2014	1,738,133	74,115,672
2015	1,747,472	77,395,631
2016	1,827,989	84,831,987

Source: Metropolitan Knoxville Airport Authority.

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

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

Source: Metropolitan Knoxville Airport Authority.

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

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

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

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

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

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

existence of the Inland Water System.

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

EDUCATION

Maryville City Schools District is made up of about 16.2 square miles with seven schools: three elementary, two intermediate, one junior high school and one high school with 350 teachers. The fall 2015 enrollment was 5,132 students.

The County is also home to two other school systems: The *Blount County School System* is made up of 21 public schools: fourteen elementary schools, four middle schools, two senior high schools and one alternative education school. Fall 2015 enrollment for Blount County schools is about 11,040 with around 716 teachers total. The District's size is about 584 square miles. *Alcoa City Schools District* is made up of about 9 square miles with three schools: one elementary, one middle school and one high school with 116 teachers. The fall 2015 enrollment was about 1,969 students.

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

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

Source: Maryville College.

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

Since its founding in 1974 as State Technical Institute at Knoxville, Pellissippi State has expanded the teaching of technology, the use of technology in instruction, and the transfer of

technology to local business and industry in support of regional economic development. Enrollment for spring 2016 was listed as 9,162. The Community College continues to support and develop career/technical associate's degrees and institutional certificates, university parallel associate's degree programs, and continuing education opportunities for the citizens of Knox, Blount, and surrounding counties. Pellissippi State Technical Community College (PSTCC) has been named one of the 200 fastest-growing community colleges in the nation, according to Community College Week. The College has released a 2012 report showing the school has pumped an average of $244 million annually into the Knoxville-area economy over the last 5 years.

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

Source: Pellissippi State Technical Community College and the City.

HOSPITALS

Blount Memorial Hospital. Blount Memorial is an acute care, short-term hospital located in Maryville. The Hospital Facility consists of approximately 715,925 square feet and a licensed capacity of 304 beds and 137 physicians. The hospital employs about 2,572 people and had 11,724 admissions in 2015. The hospital facility is operated by Blount Memorial Hospital Incorporated (the "BMH, Inc."), a governmental non-profit corporation formed by the County pursuant to Tennessee law. The Hospital is governed by a board of directors appointed by the County, and the Cities of Alcoa and Maryville. The Hospital's property is owned by the County and BMH, Inc. There are several Special Care Units at Blount Memorial Hospital: ICU, CCU, same day surgery, medical/surgical patient care, Mountain View Recovery Center, emotional health center, family birthing center, and KidCare. The hospital's Emergency Room is open 24 hours and is equipped with 17 treatment rooms.

University of Tennessee Medical Center. Located in nearby Knoxville near the Blount County line, the *UT Medical Center* in Knoxville is an acute care teaching hospital with 609 beds and about 551 doctors. The hospital employs about 5,144 people and had 30,279 admissions for 2015. Designated as the region's Level I adult and pediatric Trauma Center by the state of Tennessee, the Medical Center provides the highest level of programs and emergency services. Critically ill patients are transported to the Medical Center via one of LIFESTAR'S two helicopters.

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

Source: University Health Center and Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

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

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

Arconic Inc., formerly ALCOA Inc., owns and operates three aluminum plants located in the City of Alcoa near the McGhee Tyson Airport. These are the company's primary aluminum smelting and fabricating plants in the United States. The plant's primary product is flat, rolled aluminum sheets that are processed into beverage cans, Venetian blinds, lithographic sheets, and automobile trim. The plants have produced in the past about 200 metric tons of aluminum a year. This operation is the largest aluminum-producing and fabricating complex in the United States. The facility at one time was the largest aluminum manufacturing facility in the world with 12,000 ALCOA Inc. employees. See "RECENT DEVELOPMENTS" for more information.

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

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

Pellissippi Place is a 450-acre high tech park on the Oak Ridge Corridor in Alcoa. The first construction phase was begun in late 2008. The park focuses on technology, corporate research and high-tech business development. Over the course of the project, the park is expected to create over $1 billion dollars in economic impact. Total build out of the park is estimated between 20 to 30 years. Phase I involved the infrastructure for the park, a phase that cost around $10 million and was

completed in 2010. The development is LEED certified, which requires all developers and contractors to following sustainable green building guidelines recognized by the U.S. Green Building Council. Molecular Pathology Laboratory Network, which develops molecular diagnostics and cytogenetics tests and services with a focus on pathology, hematology/oncology, obstetrics and gynecology, medical genetics, infection disease, gastroenterology, and internal medicine was the first major tenant in the park. In 2013, Pronova Solutions announced its plans to become the anchor tenant and opened in June of 2015. The project represents an investment of $52 million and up to 500 new jobs in Blount County. The Park is jointly owned by Blount County, the Cities of Alcoa and Maryville, and Knox County.

The *Technology 2020* project was initiated in 1993 to capitalize on the unique resources of the East Tennessee region: the presence of the ORNL, the University of Tennessee-Knoxville, the headquarters of the Tennessee Valley Authority, and a significant number of both large and small technology companies in the region. A $4.5 million investment has been made by DOE, South Central Bell, the Tennessee Public Service Commission and Lockheed-Martin to set up a regional telecommunications laboratory. This economic development resource center is located in Oak Ridge's Commerce Park. An 18,000 square foot facility has been constructed on the 5.2-acre site. The facility will be used for testing and demonstrating new communications technologies and applications.

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

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

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Major Employers in Blount County, Tennessee

Company	Product/Service	Employment
Denso[1]	Automotive Parts	3,900
Clayton Homes	Manufactured Housing	3,139
Blount Memorial Hospital	Healthcare	2,572
McGhee Tyson Air National Guard	Airbase	1,717
Blount County Schools	Education	1,700
Newell Brands	Manufacturer	1,200
Arconic Inc. (formerly ALCOA Inc)[2]	Aluminum Ingot, Coiled Steel	1,000
Blount County Government	Government	720
Maryville City Schools	Education	668
Accenture	Hotel Customer Service	575
Wal-Mart	Retail Store	568
Ruby Tuesday Inc.	Restaurants	485
TeamHealth Alcoa Billing	Billing	451
Massey Group	Electrical Contractor	400
Reinhart Food Service	Distribution	344
City of Maryville	Government	305
Rockford Manufacturing	Yarn & Cordage	300
K12	Education	300
Peninsula Hospital	Healthcare	274
City of Alcoa	Government	266
Maryville College	University	362
Cornerstone of Recovery	Healthcare	240
Standard Aero Alliance Inc.	Aircraft Engines and Parts	237
Alcoa City Schools	Education	224
EZ Stop Food Marts	Retail	220

[1] Headquarters based in Blount County, but employment excludes 1,050 employees in the McMinn County Plant.
[2] Headquarters are based in Blount County, but employment includes some employees working in Knox County.

Source: Alcoa Audit, Blount County Chamber of Commerce, Blount County Audit, Maryville Audit and Knoxville News Sentinel - 2017.

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EMPLOYMENT INFORMATION

For the month of August 2017, the unemployment rate for Maryville stood at 3.3% with 13,050 persons employed out of a labor force of 13,490. As of August 2017, the unemployment rate for Blount County stood at 3.3% with 58,880 persons employed out of a labor force of 60,910.

The Knoxville MSA's unemployment for August 2017 was at 3.5% with 399,570 persons employed out of a labor force of 413,960. As of August 2017, the unemployment rate in the Knoxville-Morristown-Sevierville CSA stood at 3.5%, representing 515,210 persons employed out of a workforce of 533,830.

Unemployment

	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
Maryville	**7.0%**	**7.2%**	**6.0%**	**5.3%**	**4.3%**
Index vs. National	86	97	97	100	88
Index vs. State	87	88	90	91	90
Blount County	**6.8%**	**6.9%**	**6.0%**	**5.3%**	**4.5%**
Index vs. National	84	93	97	100	92
Index vs. State	85	84	90	91	94
Knoxville MSA	**6.6%**	**6.9%**	**6.2%**	**5.4%**	**4.5%**
Index vs. National	81	93	100	102	92
Index vs. State	82	84	93	93	94
Knoxville-Morristown – Sevierville CSA	**7.5%**	**7.7%**	**6.5%**	**6.5%**	**4.7%**
Index vs. National	93	104	105	123	96
Index vs. State	94	94	97	112	98

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

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ECONOMIC DATA

Per Capita Personal Income

	2011	2012	2013	2014	2015
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
Blount County	**$33,658**	**$35,234**	**$35,481**	**$36,571**	**$37,900**
Index vs. National	79	80	80	79	79
Index vs. State	90	91	91	91	90
Knoxville MSA	**$36,331**	**$37,981**	**$37,764**	**$39,188**	**$40,870**
Index vs. National	86	86	85	84	85
Index vs. State	97	98	97	97	97
Knoxville-Sevierville-Harriman CSA	**$34,882**	**$36,329**	**$36,275**	**$37,595**	**$39,187**
Index vs. National	82	82	82	81	81
Index vs. State	93	94	93	93	93

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

Social and Economic Characteristics

	National	Tennessee	Blount County	Alcoa	Maryville
Median Value Owner Occupied Housing	$178,600	$142,100	$166,500	$118,200	$189,700
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	87.6%	87.2%	89.7%
% Persons with Income Below Poverty Level	13.50%	16.70%	13.1%	24.8%	13.0%
Median Household Income	$53,889	$45,219	$48,286	$36,215	$54,219

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

RECREATION

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

Source: National Park Service.

Fort Loudoun State Historic Park. Fort Loudoun State Park is located in Vonore (in Monroe County) on TVA's Tellico Reservoir. This 1,200-acre site is the location of one of the earliest British fortifications on the western frontier, built in 1756. Today the fort and the 1794 Tellico Blockhouse overlook the Tellico Reservoir and the Appalachian Mountains. Much of the park's 1,200-acres lie on an island on Tellico Lake. The park has a Visitor Center/Museum that offers information on the area's history and artifacts that were excavated prior to the Fort's reconstruction. The largest event of each year is an18th Century Trade Faire that showcases many aspects of that century. In 2015 there were 154,655 visitors to the park. British soldiers, civilians, ladies and small children come together with traders, French soldiers, Creek and Cherokee Indians.

Source: Tennessee State Parks.

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. Monroe County is located southwest of the Park. The City of Gatlinburg in Sevier County is the gateway city to the Park. Over 500,000 acres were set aside in 1934 to form the Park. The Park includes 244,000 acres in Tennessee and 276,000 acres in North Carolina and covers a total 800 square miles. It includes 97 historic and 342 modern structures that are maintained by the Park. The Park is a hiker's paradise with over 800 miles of maintained trails, including the Appalachian Trail. The Smoky Mountains have the most biological diversity of any area in the world's temperate zone. The Park is a sanctuary for a magnificent array of animal and plant life, all of which is protected for future generations to enjoy.

Located in the center of the eastern half of the United States, the Park is readily accessible to 70% of the country's population. Each year it draws the largest attendance of any of the National Parks in the United States. A report from the National Park Service says more than 9.6 million visitors to Great Smoky Mountains National Park spent $741 million in communities near the park in 2012. Visitors during 2015 reached 6 million.

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

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

Source: National Park Service.

RECENT DEVELOPMENTS

Arconic Inc. (formerly ALCOA Inc.). In November of 2016 ALCOA Inc. split into two standalone companies Arconic Inc. and ALCOA Corp. The former ALCOA Inc. aluminum facility has now become Arconic Inc. Arconic Inc. is now a global leader in multi-materials innovation,

precision engineering and advanced manufacturing, and the newly formed ALCOA Corp. emerging as a cost-competitive leader in the bauxite, alumina and aluminum industries. The separation took effect through a pro-rata distribution by ALCOA Inc. of 80.1 percent of the outstanding shares of ALCOA Corp. with Arconic Inc. retaining 19.9 percent of ALCOA Corp. common stock. With aerospace and transportation accounting for 65 percent of the company's Global Rolled Product revenue, several big names in the automobile industry have become customers of Arconic, including Ford, Chrysler and GM. Arconic Inc. can currently supply over 90 percent of a jet engine's necessary components through metallic and carbon fiber reinforced plastic aircraft parts.

At the existing facility a three year, $275 million expansion to convert capacity for the automobile industry was completed in 2015. An additional 200 full-time workers were hired.

Cirrus Aircraft. The private aircraft manufacturer Cirrus Aircraft began construction in 2016 on the first phase to build $15 million in 4 buildings and 181 parking spaces on 13 acres and create 170 jobs at the Metropolitan Knoxville Airport West Aviation Area. The new "Vision Center" is the epicenter and flagship location for all Cirrus Aircraft pilot, owner and customer activities. The Knoxville facility includes a full-motion flight simulator currently under development and other fixed training devices. It also contains a factory service center as well as a design center, allowing buyers to personalize and create their Vision SF50.

DENSO Tennessee. DENSO Manufacturing produces automotive parts in four plants located in Maryville. In late 2017 DENSO announced a $1 billion expansion plan that will result in 1,000 new jobs to its Blount County facility to meet the future demand for electric vehicles. DENSO's investment would include safety components and systems for purely electric cars and hybrid vehicles. This new billion-dollar-expansion comes a year after DENSO spent $400 million building a 500-employee facility at Maryville intended in part to pull together various warehouse operations. DENSO also has a plant in McMinn County that underwent a $85 million expansion that was completed in mid-2017 and hired an additional 400 people.

Already one of the largest employers in the County, DENSO represents an investment exceeding $1.1 billion in the Blount County Industrial Park, before the 2017 announced expansion. Denso opened in 1988 and makes starters, alternators, instrument clusters and electronics for the automotive industry. The company's entire campus, also featuring a training center, logistics center and associate fitness center, covers more than 154 acres. The company provides parts for 20 automakers, including Toyota, Honda, Daimler Chrysler, General Motors, Ford and Subaru. Denso's parent company, Denso Corp., is based in Kariya, Japan.

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

Koide Tennessee Inc. Koide Tennessee, a Japan-based company that produces metal tubing for the automotive industry, finished a $10.1 million expansion in 2015 that resulted in over 30 new jobs for the manufacturing plant located in the Stock Creek Development Technology Park. The addition is a 76,000-square-foot facility on a 10-acre site.

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

SCCY Industries, LLC. SCCY Industries officials announced that the firearms manufacturer will establish a production facility and headquarters in Maryville. SCCY is investing $22.5 million to build a new facility in Blount County that will create more than 350 new jobs. SCCY's new Maryville location will be the company's primary manufacturing operation and also include its corporate offices. SCCY, which specializes in manufacturing pistols and sidearms, will construct a 150,00-square-foot facility in Blount County's Big Springs Industrial Park. The location is expected to be operational in 2019.

Surface Igniter. LLC. In 2013 surface Igniter relocated its headquarters and manufacturing facility from Puerto Rico to its existing facility in Maryville, investing $3.8 million. The company is a leading manufacturer of hot surface igniters for heating, cooking, clothes dryer and BBQ grill industries. In 2016 construction was completed on the 55,000-square foot Blount County Industrial Park in Maryville, doubling the number of jobs to 108.

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

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CITY OF MARYVILLE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)		OUTSTANDING[1] as of June 30, 2016	OUTSTANDING[1] as of June 30, 2017
2,000,000		Loan Agreement, Series B-10-A (Taxable)	June 2017	Fixed		240,000	-
3,000,000		Loan Agreement, Series B-17-A	June 2018	Fixed		420,000	215,000
34,500,000		Water and Sewer Revenue and Tax Bonds, Series 2008A	June 2038	Fixed	(2)	33,000,000	32,750,000
4,100,000		Water and Sewer Revenue and Tax Bonds, Series 2008B	June 2018	Fixed	(2)	410,000	210,000
14,750,000	(5)	General Obligation Refunding Bonds, Series 2008C	June 2021	Fixed	(2)	2,745,000	1,355,000
3,100,000		Electric System Revenue Bonds, Series 2007	June 2017	Fixed	(3)	255,000	-
11,540,000		General Obligation Refunding Bonds, Series 2009	June 2019	Fixed		3,185,000	1,860,000
16,365,000	(6)	General Obligation Refunding Bonds, Series 2009B	June 2024	Fixed	(2)	16,365,000	16,365,000
2,785,000	(7)	General Obligation Refunding Bonds, Series 2009C (Taxable)	June 2019	Fixed	(2)	2,320,000	2,060,000
18,720,000	(8)	Qualified School Construction Bonds, Series 2009	June 2027	Fixed		11,906,060	10,737,956
14,355,000	(9)	Lease Agreement, Series 2009C (Civic Arts Center- Maryville's Portion)	June 2030	Fixed		11,590,000	10,960,000
2,500,000		General Obligation Bonds, Series 2010	June 2025	Fixed	(2)	1,620,000	1,460,000
14,170,000		General Obligation Refunding Bonds, Series 2010B	June 2030	Fixed		14,170,000	14,170,000
2,304,000		Loan Agreement, Series 2011 (EESI Loan)	June 2031	Fixed	(2)	1,813,644	1,709,376
9,855,000		General Obligation Refunding Bonds, Series 2015	June 2035	Fixed		9,855,000	9,855,000
3,350,000		General Obligation Refunding Bonds, Series 2016	June 2029	Fixed		3,350,000	3,200,000
6,175,000		General Obligation Refunding Bonds, Series 2016B	June 2023	Fixed	(2)	6,175,000	6,145,000
$ 163,569,000		**TOTAL BONDED DEBT**				$ 119,419,704	$ 113,052,332
		Plus: General Obligation Refunding Bonds, Series 2017A	June 2030	Fixed			31,525,000
		Plus: General Obligation Refunding Bonds, Series 2017B	June 2038	Fixed			33,420,000
		Less: Refunded Debt		Fixed			(62,530,000)
		Less: Revenue-Supported Debt				(49,916,644)	(48,752,376)
		NET BONDED DEBT				$ 69,503,060	$ 66,714,956

NOTES:

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

(2) Revenue-supported bonds.

(3) Revenue-only bonds.

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

(5) The Series 2008C Bonds are additionally payable from the revenues of the Water and Sewer System and the Electric System, $1,015,000 is allocated to the Water and Sewer System and $340,000 is allocated to the Electric System.

(6) $4,810,000 of the Series 2009B Bonds are additionally payable from the revenues of the Water and Sewer System.

(7) $365,000 of the Series 2009C (Taxable) Bonds are additionally payable from the revenues of the Water and Sewer System.

(8) The Qualified School Constructions Bonds, Series 2009 requires annual Loan Repayments from the City to be deposited into a Sub-Account with the State of Tennessee for the principal repayment on the Series 2009 QSCB on June 1, 2027. As of June 30, 2017, the City has already made $7,982,044 in Loan Repayments, leaving only $10,737,956 remaining.

(9) The Series 2009C Bonds were issued by the Industrial Development Board of Blount County, TN. The City has pledged its full, faith and credit to the repayment of the lease agreement. $10,960,000 of principal on the Project is still outstanding. For more information, see the notes to the Financial Statements in the CAFR.

CITY OF MARYVILLE, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

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

	For Fiscal Year Ending June 30					Unaudited	After Issuance
INDEBTEDNESS	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2017**
TAX SUPPORTED							
General Obligation Bonds & Notes	$88,026,962	$85,103,417	$84,877,268	$81,189,164	$69,503,060	$65,444,956	$66,714,956
TOTAL TAX SUPPORTED	$88,026,962	$85,103,417	$84,877,268	$81,189,164	$69,503,060	$65,444,956	$66,714,956
REVENUE SUPPORTED							
Water & Sewer Revenue Bonds & Notes	$51,394,920	$49,313,884	$47,940,856	$46,525,788	$45,178,644	$43,615,376	$44,760,376
Electric Revenue Bonds & Notes	8,735,000	6,845,000	6,195,000	5,520,000	4,738,000	3,992,000	3,992,000
TOTAL REVENUE SUPPORTED	$60,129,920	$56,158,884	$54,135,856	$52,045,788	$49,916,644	$47,607,376	$48,752,376
TOTAL DEBT	$148,156,882	$141,262,301	$139,013,124	$133,234,952	$119,419,704	$113,052,332	$115,467,332
Less: Revenue Supported Debt	($60,129,920)	($56,158,884)	($54,135,856)	($52,045,788)	($49,916,644)	($47,607,376)	($48,752,376)
Less: Debt Service Fund	(8,489,676)	(8,009,035)	(8,010,894)	(8,025,225)	(243,669)	(107,343)	(107,343)
NET DIRECT DEBT	$79,537,286	$77,094,382	$76,866,374	$73,163,939	$69,259,391	$65,337,613	$66,607,613
PROPERTY TAX BASE							
Estimated Actual Value	$2,721,418,096	$2,730,641,244	$2,766,724,572	$2,877,221,057	$2,992,756,588	$2,992,756,588	$2,992,756,588
Appraised Value	2,721,418,096	2,730,641,244	2,766,724,572	2,877,221,057	2,992,756,588	2,992,756,588	2,992,756,588
Assessed Value	794,738,374	798,045,864	810,407,359	844,122,768	899,200,255	899,200,255	899,200,255

Source: General Purpose Financial Statements and City Officials.

DEBT RATIOS	For Fiscal Year Ending June 30 2012	2013	2014	2015	2016	Unaudited 2017	After Issuance 2017
TOTAL DEBT to Estimated Actual Value	5.44%	5.17%	5.02%	4.63%	3.99%	3.78%	3.86%
TOTAL DEBT to Appraised Value	5.44%	5.17%	5.02%	4.63%	3.99%	3.78%	3.86%
TOTAL DEBT to Assessed Value	18.64%	17.70%	17.15%	15.78%	13.28%	12.57%	12.84%
NET DIRECT DEBT to Estimated Actual Value	2.92%	2.82%	2.78%	2.54%	2.31%	2.18%	2.23%
NET DIRECT DEBT to Appraised Value	2.92%	2.82%	2.78%	2.54%	2.31%	2.18%	2.23%
NET DIRECT DEBT to Assessed Value	10.01%	9.66%	9.48%	8.67%	7.70%	7.27%	7.41%
PER CAPITA RATIOS							
POPULATION (1)	27,914	27,992	28,329	28,464	28,464	28,464	28,464
PER CAPITA PERSONAL INCOME (2)	$35,234	$35,481	$36,571	$37,900	$37,900	$37,900	$37,900
Estimated Actual Value to POPULATION	97,493	97,551	97,664	101,083	105,142	105,142	105,142
Assessed Value to POPULATION	28,471	28,510	28,607	29,656	31,591	31,591	31,591
Total Debt to POPULATION	5,308	5,047	4,907	4,681	4,195	3,972	4,057
Net Direct Debt to POPULATION	2,849	2,754	2,713	2,570	2,433	2,295	2,340
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	15.06%	14.22%	13.42%	12.35%	11.07%	10.48%	10.70%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	8.09%	7.76%	7.42%	6.78%	6.42%	6.06%	6.17%

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

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

CITY OF MARYVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended	Existing Debt - General Obligation (1) - As of June 30, 2017					General Obligation Refunding Bonds, Series 2017A			Less: Refunded Bonds			Total Bonded Debt Service Requirements (1)					% Principal
6/30	Principal	Interest	Sinking Fund on QSCB 2009	State Admin Fees & Sinking Fund	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest	TOTAL	Principal	Interest (3)	Sinking Fund on QSCB 2009	State Admin Fees & Sinking Fund	TOTAL	Repaid
2018	$ 2,750,000	$ 2,313,336	$ 1,168,104	$ 74,880	$ 6,306,320	$ 200,000	$ 262,208	$ 462,208	$ -	$ (519,925)	$ (519,925)	$ 2,950,000	$ 2,055,618	$ 1,168,104	$ 74,880	$ 6,248,602	4.42%
2019	2,877,000	2,209,643	1,168,104	74,880	6,329,627	530,000	522,115	1,052,115	-	(1,039,850)	(1,039,850)	3,407,000	1,691,908	1,168,104	74,880	6,341,892	
2020	3,199,000	2,098,508	1,168,104	74,880	6,540,492	2,770,000	515,755	3,285,755	(2,100,000)	(1,039,850)	(3,139,850)	3,869,000	1,574,413	1,168,104	74,880	6,686,397	
2021	3,371,000	1,981,538	1,168,104	74,880	6,595,522	2,830,000	479,745	3,309,745	(2,225,000)	(955,850)	(3,180,850)	3,976,000	1,505,433	1,168,104	74,880	6,724,417	
2022	3,573,000	1,834,408	1,168,104	74,880	6,650,392	2,335,000	440,125	2,775,125	(2,400,000)	(844,600)	(3,244,600)	3,508,000	1,429,933	1,168,104	74,880	6,180,917	26.55%
2023	3,742,000	1,707,948	1,168,104	74,880	6,692,932	2,375,000	405,100	2,780,100	(2,525,000)	(748,600)	(3,273,600)	3,592,000	1,364,448	1,168,104	74,880	6,199,432	
2024	4,320,000	1,566,408	1,168,104	74,880	7,129,392	2,655,000	365,913	3,020,913	(3,315,000)	(647,600)	(3,962,600)	3,660,000	1,284,721	1,168,104	74,880	6,187,705	
2025	3,905,000	1,396,808	1,168,104	74,880	6,544,792	2,270,000	318,123	2,588,123	(2,555,000)	(515,000)	(3,070,000)	3,620,000	1,199,931	1,168,104	74,880	6,062,915	
2026	3,335,000	1,255,233	1,283,014	74,880	5,948,127	2,200,000	272,723	2,472,723	(1,950,000)	(412,800)	(2,362,800)	3,585,000	1,115,156	1,283,014	74,880	6,058,050	
2027	14,192,956	875,534	110,110	(10,731,716)	4,446,884	2,175,000	225,423	2,400,423	(2,030,000)	(334,800)	(2,364,800)	14,337,956	766,157	110,110	(10,731,716)	4,482,506	69.71%
2028	3,615,000	712,950	-	-	4,327,950	2,155,000	174,310	2,329,310	(2,135,000)	(253,600)	(2,388,600)	3,635,000	633,660	-	-	4,268,660	
2029	3,745,000	565,925	-	-	4,310,925	2,210,000	120,435	2,330,435	(2,210,000)	(168,200)	(2,378,200)	3,745,000	518,160	-	-	4,263,160	
2030	3,845,000	412,300	-	-	4,257,300	2,290,000	62,975	2,352,975	(2,280,000)	(79,800)	(2,359,800)	3,855,000	395,475	-	-	4,250,475	
2031	2,075,000	269,250	-	-	2,344,250	-	-	-	-	-	-	2,075,000	269,250	-	-	2,344,250	
2032	2,150,000	207,000	-	-	2,357,000	-	-	-	-	-	-	2,150,000	207,000	-	-	2,357,000	92.88%
2033	2,300,000	142,500	-	-	2,442,500	-	-	-	-	-	-	2,300,000	142,500	-	-	2,442,500	
2034	2,090,000	73,500	-	-	2,163,500	-	-	-	-	-	-	2,090,000	73,500	-	-	2,163,500	
2035	360,000	10,800	-	-	370,800	-	-	-	-	-	-	360,000	10,800	-	-	370,800	
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00%
	$ 65,444,956	$ 19,633,589	$ 10,737,956	$ (10,057,796)	$ 85,758,705	$ 26,995,000	$ 4,164,948	$ 31,159,948	$ (25,725,000)	$ (7,560,475)	$ (33,285,475)	$ 66,714,956	$ 16,238,061	$ 10,737,956	$ (10,057,796)	$ 83,633,177	

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) Of the total principal due in 2027, an additional $7,982,044 will also be payable from funds the City has already set aside with the State of Tennessee in a Principal Sub-Account required for its Qualified School Construction Bonds, Series 2009 (the "Series 2009 QSCB"). The Series 2009 QSCB requires annual Loan Repayments from the City to be deposited into a Sub-Account with the State of Tennessee for the principal repayment on the Series 2009 QSCB on June 1, 2027. As of June 30, 2017, the City has already made $7,982,044 in Loan Repayments, leaving only $10,737,956 remaining.

(3) Estimated Average Coupon of 2.17%.

CITY OF MARYVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water & Sewer System

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) As of June 30, 2017			General Obligation Refunding Bonds, Series 2017A			General Obligation Refunding Bonds, Series 2017B			Less: Refunded Bonds			Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2018	$ 1,648,440	$ 1,875,728	$ 3,524,168	$ 35,000	$ 31,299	$ 66,299	$ 95,000	$ 449,878	$ 544,878	$ -	$ (836,456)	$ (836,456)	$ 1,778,440	$ 1,520,448	$ 3,298,888	3.97%
2019	1,765,648	1,802,040	3,567,688	420,000	62,195	482,195	495,000	898,663	1,393,663	(590,000)	(1,672,913)	(2,262,913)	2,090,648	1,089,985	3,180,633	
2020	1,834,916	1,728,808	3,563,724	1,300,000	57,155	1,357,155	485,000	892,723	1,377,723	(1,480,000)	(1,644,263)	(3,124,263)	2,139,916	1,034,423	3,174,339	
2021	1,941,220	1,657,318	3,598,538	1,370,000	40,255	1,410,255	480,000	886,418	1,366,418	(1,575,000)	(1,582,400)	(3,157,400)	2,216,220	1,001,591	3,217,811	
2022	2,037,572	1,571,124	3,608,696	1,405,000	21,075	1,426,075	480,000	879,698	1,359,698	(1,660,000)	(1,506,150)	(3,166,150)	2,262,572	965,746	3,228,318	
2023	1,690,972	1,497,081	3,188,053	-	-	-	1,565,000	872,498	2,437,498	(1,300,000)	(1,439,750)	(2,739,750)	1,955,972	929,828	2,885,800	27.80%
2024	1,800,432	1,433,917	3,234,349	-	-	-	1,585,000	846,675	2,431,675	(1,400,000)	(1,384,500)	(2,784,500)	1,985,432	896,092	2,881,524	
2025	1,852,940	1,368,062	3,221,002	-	-	-	1,620,000	818,145	2,438,145	(1,450,000)	(1,326,750)	(2,776,750)	2,022,940	859,457	2,882,397	
2026	1,915,496	1,298,281	3,213,777	-	-	-	1,640,000	785,745	2,425,745	(1,500,000)	(1,265,125)	(2,765,125)	2,055,496	818,901	2,874,397	
2027	2,033,100	1,226,121	3,259,221	-	-	-	1,710,000	750,485	2,460,485	(1,600,000)	(1,201,375)	(2,801,375)	2,143,100	775,231	2,918,331	
2028	2,135,764	1,147,357	3,283,121	-	-	-	1,780,000	710,300	2,490,300	(1,700,000)	(1,131,375)	(2,831,375)	2,215,764	726,282	2,942,046	46.14%
2029	1,933,488	1,064,163	2,997,651	-	-	-	1,850,000	665,800	2,515,800	(1,800,000)	(1,057,000)	(2,857,000)	1,983,488	672,963	2,656,451	
2030	2,036,260	980,386	3,016,646	-	-	-	1,915,000	617,700	2,532,700	(1,900,000)	(976,000)	(2,876,000)	2,051,260	622,086	2,673,346	
2031	2,139,128	892,054	3,031,182	-	-	-	1,985,000	565,038	2,550,038	(2,000,000)	(890,500)	(2,890,500)	2,124,128	566,592	2,690,720	
2032	2,100,000	800,500	2,900,500	-	-	-	2,050,000	508,465	2,558,465	(2,100,000)	(800,500)	(2,900,500)	2,050,000	508,465	2,558,465	
2033	2,200,000	706,000	2,906,000	-	-	-	2,120,000	446,965	2,566,965	(2,200,000)	(706,000)	(2,906,000)	2,120,000	446,965	2,566,965	74.16%
2034	2,300,000	607,000	2,907,000	-	-	-	2,185,000	382,305	2,567,305	(2,300,000)	(607,000)	(2,907,000)	2,185,000	382,305	2,567,305	
2035	2,400,000	503,500	2,903,500	-	-	-	2,250,000	314,570	2,564,570	(2,400,000)	(503,500)	(2,903,500)	2,250,000	314,570	2,564,570	
2036	2,500,000	392,500	2,892,500	-	-	-	2,310,000	242,570	2,552,570	(2,500,000)	(392,500)	(2,892,500)	2,310,000	242,570	2,552,570	
2037	2,600,000	267,500	2,867,500	-	-	-	2,360,000	166,340	2,526,340	(2,600,000)	(267,500)	(2,867,500)	2,360,000	166,340	2,526,340	94.50%
2038	2,750,000	137,500	2,887,500	-	-	-	2,460,000	86,100	2,546,100	(2,750,000)	(137,500)	(2,887,500)	2,460,000	86,100	2,546,100	100.00%
	$ 43,615,376	$ 22,956,940	$ 66,572,316	$ 4,530,000	$ 211,979	$ 4,741,979	$ 33,420,000	$ 12,787,078	$ 46,207,078	$ (36,805,000)	$ (21,329,056)	$ (58,134,056)	$ 44,760,376	$ 14,626,940	$ 59,387,316	

NOTES:

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

(2) Estimated avereage coupon of 1.41%

(3) Estimated avereage coupon of 2.94%

CITY OF MARYVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Electric System

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% Principal Repaid
2018	$ 758,000	$ 130,248	$ 888,248	18.99%
2019	791,000	101,120	892,120	38.80%
2020	817,000	77,390	894,390	59.27%
2021	846,000	52,668	898,668	80.46%
2022	185,000	26,838	211,838	85.10%
2023	190,000	20,825	210,825	89.85%
2024	200,000	14,175	214,175	94.86%
2025	205,000	7,175	212,175	100.00%
	$ 3,992,000	$ 430,438	$ 4,422,438	

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.

FINANCIAL INFORMATION

INTRODUCTION

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

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

BASIS OF ACCOUNTING AND PRESENTATION

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

BUDGETARY PROCESS

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

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

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	For The Year Ended June 30				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental Funds:					
General	$ 6,578,428	$ 6,996,507	$ 7,794,799	$ 8,720,364	$ 8,505,607
General Purpose Schools	6,556,371	5,104,047	6,927,316	7,940,344	7,273,369
Debt Service	8,489,676	8,009,035	8,010,894	8,025,226	243,669
Other Governmental	6,631,849	4,892,159	4,360,622	4,784,711	4,980,335
Total	**$28,256,324**	**$24,911,748**	**$27,093,631**	**$29,470,645**	**$21,002,980**
Proprietary Net Assets:					
Electric Dept	$34,510,607	$36,818,824	$38,499,487	$38,894,690	$ 40,179,609
Water Dept	49,632,707	51,361,040	52,964,348	54,225,096	57,284,773
Stormwater	1,379,453	1,772,577	2,073,971	2,553,951	3,020,876
Internal Service Funds	3,221,133	3,456,016	3,154,061	3,558,210	3,400,722
Total	**$88,743,900**	**$93,408,457**	**$96,691,867**	**$99,231,947**	**$103,885,980**

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

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CITY OF MARYVILLE, TENNESSEE

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

	2012	2013	2014	2015	2016
Revenues:					
Local taxes	$ 28,282,041	$ 28,239,030	$ 29,103,483	$ 31,546,926	$ 33,292,995
Licenses and Permits	29,485	29,451	28,728	27,851	29,842
Intergovernmental Revenue	2,484,347	2,504,937	2,809,045	2,874,560	3,188,399
Charges for Services	695,721	720,529	701,739	930,927	954,404
Fines and Forfeits	58,079	71,776	73,044	52,595	51,440
Investment Income	91,355	57,230	57,409	51,006	43,947
Other Revenues	54,401	32,693	21,902	185,692	155,496
Total Revenues	$ 31,695,429	$ 31,655,646	$ 32,795,350	$ 35,669,557	$ 37,716,523
Expenditures and Other Uses:					
General Government	$ 1,985,519	$ 2,106,878	$ 2,327,219	$ 3,353,544	$ 4,485,164
Public Safety	7,673,432	7,853,986	8,141,830	8,485,447	9,051,777
Public Works	5,586,752	5,533,240	5,605,476	5,696,625	5,975,873
Recreation and Parks	1,377,826	1,383,625	1,397,496	1,425,576	1,491,658
Economic Development	71,635	-	-	-	-
Nondepartmental Costs	978,445	1,014,323	1,018,871	1,292,612	1,534,431
Capital Projects	113,133	126,040	53,640	96,675	78,845
Total Expenditures	$ 17,786,742	$ 18,018,092	$ 18,544,532	$ 20,350,479	$ 22,617,748
Excess of Revenues & Over (under) Expenditures	$ 13,908,687	$ 13,637,554	$ 14,250,818	$ 15,319,078	$ 15,098,775
Other Financing Sources (Uses):					
Interfund Transfers - In	$ 1,411,107	$ 1,449,365	$ 1,472,437	$ 1,492,314	$ 1,570,642
Interfund Transfers - Out	(14,810,489)	(14,555,707)	(14,811,830)	(15,772,694)	(16,771,041)
Contribution To Utility Fund	-	-	-	-	-
Capitalized Lease	-	(113,133)	(113,133)	(113,133)	(113,133)
Issuance Of Notes	-	-	-	-	-
Total Other Financing Sources (Uses)	$ (13,399,382)	$ (13,219,475)	$ (13,452,526)	$ (14,393,513)	$ (15,313,532)
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	$ 509,305	$ 418,079	$ 798,292	$ 925,565	$ (214,757)
Residual Equity Transfer	-	-	-	-	-
Fund Balance July 1	6,069,123	6,578,428	6,996,507	7,794,799	8,720,364
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	**$ 6,578,428**	**$ 6,996,507**	**$ 7,794,799**	**$ 8,720,364**	**$ 8,505,607**

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

CITY OF MARYVILLE, TENNESSEE

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

	2012	2013	2014	2015	2016
Revenues:					
Metered Water Sales	$ 4,493,691	$ 4,934,756	$ 5,139,105	$ 5,069,858	$ 5,203,985
Sewer Sales	5,867,938	6,425,756	6,849,430	6,797,711	7,078,118
Forfeited Discounts	84,705	89,097	94,462	94,640	95,145
Rent from Water Property	104,011	125,771	131,363	138,817	118,434
Miscellaneous	901,405	488,209	454,916	672,069	692,465
Connection Charges	16,700	19,610	18,280	18,250	17,790
State Loan Repayment	-	-	-	-	-
City of Alcoa - WWTP Debt Share	882,637	839,453	833,829	772,990	767,740
City of Alcoa - Sewage Treatment	1,374,234	1,279,985	1,288,600	1,172,644	1,158,806
Knox - Chapman Utility District	95,024	95,024	95,024	95,024	79,710
Total Revenues	$ 13,820,345	$ 14,297,661	$ 14,905,009	$ 14,832,003	$ 15,212,193
Expenses:					
Direct Operating Expense	$ 5,192,969	$ 4,911,491	$ 5,214,512	$ 5,015,900	$ 4,924,343
Customer Accounting and Collection	894,663	904,606	952,686	1,022,458	1,052,583
Administrative and General	1,121,856	1,234,327	1,320,716	1,500,779	1,529,770
Depreciation and Amortization	3,131,142	3,160,018	3,230,550	3,266,256	3,348,567
Total Expenses	$ 10,340,630	$ 10,210,442	$ 10,718,464	$ 10,805,393	$ 10,855,263
Operating Income	$ 3,479,715	$ 4,087,219	$ 4,186,545	$ 4,026,610	$ 4,356,930
Non-Operating Revenues (Expenses):					
Interest Earned	$ 8,574	$ 10,129	$ 7,390	$ 8,008	$ 21,782
Amortization of Debt Expense	(136,035)	(159,270)	(154,650)	(146,223)	(239,831)
Gain on Sale of Capital Assets	59,570	28,019	30,983	69,101	75,493
Total Non-Operating Revenues (Expenses)	(67,891)	(121,122)	(116,277)	(69,114)	(142,556)
Income Before Interest Expense	3,411,824	3,966,097	4,070,268	3,957,496	4,214,374
Interest Expense	(2,285,640)	(2,226,620)	(2,135,335)	(2,076,019)	(2,012,161)
Net Income Befor Contributions and Transfers	$ 1,126,184	$ 1,739,477	$ 1,934,933	$ 1,881,477	$ 2,202,213
Capital Contributions	375,028	491,035	157,413	541,280	1,352,422
Payments in Lieu of Taxes	(486,782)	(502,179)	(489,038)	(499,574)	(494,958)
Change in Net Position	$ 1,014,430	$ 1,728,333	$ 1,603,308	$ 1,923,183	$ 3,059,677
Net Position - July 1	48,618,277	49,632,707	51,361,040	52,964,348	54,225,096
Restatement of beginning Net Position	-	-	-	(662,435)	-
Net Assets - June 30	**$ 49,632,707**	**$ 51,361,040**	**$ 52,964,348**	**$ 54,225,096**	**$ 57,284,773**

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

CITY OF MARYVILLE, TENNESSEE

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

	2012	2013	2014	2015	2016
Revenues:					
Residential	$ 23,171,563	$ 23,750,999	$ 24,163,115	$ 24,391,003	$ 23,312,698
Small lighting and power sales	5,253,233	5,422,048	5,461,590	5,325,767	5,177,691
Large lighting and power sales	32,794,405	32,943,612	33,768,281	34,315,541	35,522,687
Electric sales growth credit	(116,409)	(114,794)	(194,023)	(242,398)	(443,779)
Street and outdoor	1,088,969	1,107,119	1,102,120	1,142,656	1,176,950
Total Charges for Service	$ 62,191,761	$ 63,108,984	$ 64,301,083	$ 64,932,569	$ 64,746,247
Consumer forfeitures and discounts	$ 395,600	$ 352,208	$ 393,050	$ 376,361	$ 375,361
Rent from electric property	377,620	396,812	144,966	144,121	143,471
Other electric revenue		1,005	434,352	598,380	485,453
Miscellaneous service revenue	128,565	133,282	607	(1,766)	1,306
Total Revenues	$ 63,093,546	$ 63,992,291	$ 65,274,058	$ 66,049,665	$ 65,751,838
Purchased Power	$ 51,696,014	$ 52,912,312	$ 54,460,560	$ 55,490,463	$ 54,708,949
Operating Expenses:					
Transmission expenses	$ 4,253	$ 5,673	$ 15,563	$ 9,650	$ 14,660
Distribution expenses	939,422	1,104,815	1,191,951	1,125,439	1,248,228
Customer account expenses	725,482	619,662	640,203	679,765	705,287
Sales expense	16,221	108,671	107,913	133,496	110,779
Administrative and general expense	1,725,716	1,693,236	1,846,764	1,861,881	1,930,766
Total Operating Expenses	$ 3,411,094	$ 3,532,057	$ 3,802,394	$ 3,810,231	$ 4,009,720
Maintenance Expenses:					
Transmission expenses	$ 47,933	$ 52,509	$ 45,953	$ 50,396	$ 64,414
Distribution expenses	1,422,549	1,349,592	1,408,220	1,447,873	1,588,105
Administrative and general expense	3,058	4,639	5,492	6,294	19,539
Total Maintenance Expenses	$ 1,473,540	$ 1,406,740	$ 1,459,665	$ 1,504,563	$ 1,672,058
Other Operating Expenses:					
Depreciation expenses	$ 2,001,084	$ 2,069,861	$ 2,161,991	$ 2,242,519	$ 2,333,126
Taxes	1,365,877	1,400,971	1,452,649	1,467,255	1,582,894
Total Other Operating Expenses	$ 3,366,961	$ 3,470,832	$ 3,614,640	$ 3,709,774	$ 3,916,020
Operating Income	$ 3,145,937	$ 2,670,350	$ 1,936,799	$ 1,534,634	$ 1,445,091
Non-Operating Revenues (Expenses):					
Rent from non-utility property	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400
Interest Earned	12,583	11,709	7,342	6,805	14,766
Amortization of debt expense	(25,771)	(38,260)	(19,332)	(19,332)	(56,213)
Total Non-Operating Revenues (Expenses)	$ (4,788)	$ (18,151)	$ (3,590)	$ (4,127)	$ 51,191
Income Before Interest Expense	3,141,149	2,652,199	1,933,209	1,530,507	1,496,282
Interest Expense	(366,999)	(333,833)	(262,695)	(238,895)	(211,363)
Extraordinary Item		-	-	-	-
Net Income	$ 2,774,150	$ 2,318,366	$ 1,670,514	$ 1,291,612	$ 1,284,919
Retained Earnings - July 1	31,736,457	34,510,607	36,828,973	38,499,487	38,894,690
Prior Year Adjustments	-	-	-	(896,409)	-
Retained Earnings - June 30	**$ 34,510,607**	**$ 36,828,973**	**$ 38,499,487**	**$ 38,894,690**	**$ 40,179,609**

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;

(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;

(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of a 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 City, property in the County and City reflected a ratio of appraised value to true market value of 1.00 for tax year 2016[1].

Class	Assessed Valuation	Rate	Appraised Value
Public Utilities	$ 14,466,417	1.3%	$ 33,141,849
Commercial and Industrial	322,893,000	30.3%	807,232,500
Personal Tangible	167,213,676	15.3%	557,378,630
Residential and Farm	416,363,850	53.1%	1,665,455,400
Total	**$920,936,943**		**$3,063,208,379**

Source: 2016 Tax Aggregate Report.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2017 (tax year 2016) is $920,936,943 compared to $899,200,255 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $3,063,208,379 compared to $2,992,756,588 for tax year 2015.

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

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year[1]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2016 Amount	Pct
2012	$809,102,346	$2.17	$17,280,590	$16,729,203	96.8%	N/A	
2013	810,407,359	2.17	17,589,610	17,153,249	97.5%	N/A	
2014	844,122,768	2.17	18,323,056	17,894,734	97.7%	N/A	
2015	899,200,255	2.17	19,512,647	19,131,633	97.9%	416,442	2.1%
2016	920,936,943	2.17	19,670,570	IN PROGRESS			

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

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

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	Denso	Manufacturing	$144,546,964	$3,136,669
2.	Bridgeway Properties 1, LLC	Real Estate	8,979,145	194,847
3.	First Tennessee Bank	Financial	8,672,253	188,188
4.	Wal-Mart Stores, Inc	Retail	8,439,019	183,127
5.	KND Real Estate 6 & 7, LLC	Real Estate	7,931,240	172,108
6.	Presbyterian Homes	Retirement Center	7,911,545	171,681
7.	Camellia Trace at Mtn View	Apartments	7,515,301	163,082
8.	CBL & Associates	Real Estate	7,053,920	153,070
9.	Standard Aero	Jet Engine Repair	5,914,989	128,355
10.	Atmos Energy Corp	Natural Gas Utilities	4,977,335	108,008
	TOTAL		**$211,941,711**	**$4,599,135**

Source: The City.

LOCAL OPTION SALES TAX

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

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate. The City raised the local option sales tax rate by a half-percent in December 2013 to two and three-fourths percent (2 3/4%). This half-percent increase was effective on February 1, 2014. Blount County also raised its local option sales tax rate to two and three-fourths percent (2 ¾%) effective July 1, 2014. This action by the County superseded the City's rate increase. The City of Maryville receives one-half of the local option sales tax collected in the City of Maryville.

PENSION PLANS

Employees of the City of Maryville are members of the Political Subdivision Pension Plan (PSPP), an agent multiple- employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and

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

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF MARYVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Prepared By:

Deborah P. Caughron
City Director of Financial Services

CITY OF MARYVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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(Continued)

December 20, 2016

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

We are pleased to present the comprehensive annual report for the fiscal year ended June 30, 2016.

This report was prepared in accordance with the Maryville City Charter and state statutes. It provides detailed information as to how the City receives, spends and accounts for its revenues, along with key indicators of financial strength. The City is responsible for the accuracy of the data and for the fairness and completeness of the presentation. We believe this document contains all information necessary to gain an understanding of the City's financial activities in fiscal year 2016. We encourage readers to consider this transmittal letter in conjunction with the annotated financial statements and Management's Discussion and Analysis ("MD&A"). The MD&A is a narrative introduction, overview and analysis of the financial statements.

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

Demographics

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

With an estimated population of 28,697 residents in 2016, the City population has grown by approximately 7% in the last decade. The City is also home to Maryville College, a private, four year, undergraduate liberal arts institution with fall 2016 enrollment of 1,198 students. The statistical section of this report contains more detailed demographic information.

Governmental Structure

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

The City provides traditional government services, including police and fire protection, codes enforcement, street maintenance and refuse collection. In addition, the City provides water distribution services to 15,617 customers and wastewater collection services to 13,711 customers. Electric service is provided to another 22,338 customers. The service areas for Water, Wastewater and Electric utilities extend beyond the municipal boundaries of the City. The City also participates in inter-governmental agreements to fund a public library, parks & recreation commission and fine arts activities.

Maryville City Schools currently serves approximately 5,100 students in seven schools. The Schools are funded in part by annual transfers from the General Fund. In FY 2016, the City contributed $9,222,500 to fund school operations. In addition, principal and interest for school related debt is paid from the City's Debt Service Fund.

Economic Condition and Outlook

Similar to cities and counties throughout the country, the City of Maryville slowly recovered from the recession that began in 2008. As of 2016, economic indicators for the City of Maryville and the region had returned to pre-recession levels. Unemployment rates continue to decline and most major employers in the City and Blount County are considered stable. Below is a summation of these conditions:

- For October 2016, the unemployment rate for the City was 4.4% compared to a rate of 4.5% for Blount County and 4.9% statewide, according to the Tennessee Department of Labor and Workforce Development. The unemployment rate for the City has decreased 0.8% since October 2015.

- In December 2013, voters approved a referendum increasing the City's local option sales tax by 0.5% from 2.25% to 2.75%. Proceeds of the tax were distributed equally between public education and the City's General Fund effective February 1, 2014. For FY 2015, the additional local option sales tax funds were distributed in this manner. Following passage by referendum of the additional rate county-wide, the city-only tax increment of 0.5% ended June 30, 2015. The county-wide local sales tax rate of 2.75% was distributed according to provisions of state law effective 7/1/2015 (Fiscal Year 2016).

- The City and Blount County benefit from a stable employer base. Denso Manufacturing Tennessee, Inc., the largest employer in Blount County and the City with 3,800 full time employees, has been a leading source of jobs since 1988. The County's third largest employer, Blount Memorial Hospital, with 2,217 full time employees, is also located primarily within the City of Maryville. The County's employment is not heavily concentrated by a single employer with the largest 24 employers representing 35% of all employment.

- The Taxable Digest of $900.9 million reflects an increase of $56.5 million from the previous year. Assessed Real Property, including both residential and commercial/industrial categories, increased by $28 million to $724.7 million. Assessed value of Personal Property increased by 19%, or $26.8 million, to $161.6 million and the assessment for Public Utilities increased by 12%, or $1.6 million, to $14.5 million.

- Total General Fund Revenues excluding in-lieu-of-tax payments increased by $2,046,966, or 5.7%, to $37,716,523 from FY 2015 to FY 2016. Of this amount, $1,258,808 resulted from increased property tax revenues and $547,075 was attributed to year over year increases in local option sales taxes.

Major Initiatives

This section highlights some of the major initiatives completed or underway for the Maryville City Schools in FY 2016.

1. With the purchase of an aging auto-body shop adjacent to the Maryville High School ("MHS") campus, work is underway to completely re-construct the building for reuse as a culinary arts facility and café. Currently, MHS has a café operating from a modular unit and a culinary program space that has outgrown the allocated space, so moving to this new facility will be a welcome change – allowing the program to grow with demand.

   The purchase cost of the building and land was $260,000 and the planned renovation cost is approximately $1.2M. Blackberry Farm, one of the South's most celebrated country resorts, is partnering with the school district – helping to create a world class culinary education opportunity for students, while investing money, design experience, and culinary expertise for the project.

   Completion is expected in mid-2017, just in time to welcome students for the 2017-18 school year.

2. Work was completed in the summer of 2016 at Maryville High School on two significant improvements. First, an aged, unusable, and aesthetically distasteful greenhouse on the front of the building was demolished and replaced with a much-needed meeting space. This project required extensive foundation work and piering, due to settling issues. At the same time, work was also completed in the gymnasium to add a media space above the bleachers. This improvement allowed for a slight change in the original design that never worked as planned to accommodate media covering events. The cost of these two improvements was $400,000.

3. On the campus of our newest school, Coulter Grove Intermediate, land was available and work completed on the first baseball field owned by the district in over 100 years. The new facility includes a turf infield, fencing, scoreboard, irrigation system, lights, and ticket booth – at a cost of $650,000.

4. In the last five years, ending with the completion of the roof system at Maryville High, all existing foam roofs have been recoated. The work at MHS was completed this summer at a cost of $65,000. All foam roofing in the school district is now under ten year warranty.

<u>Water and Wastewater System Improvements</u>

The Water and Sewer Department completed several large water and wastewater projects in fiscal year 2016. Listed below are highlights:

1. Sewer Rehabilitation and Relocation work continued in the Browns Creek drainage area for $45,546 as well as Swathmore Area, Andy Harris Road, Hilltop Avenue, O'Leary Lane and in other various areas for $293,029. Sewer service and manhole replacements were completed system-wide for a cost of $166,250.

2. The ongoing Sanitary Sewer Evaluation Survey (SSES) included rehabilitation work in the Wilkinson basin, and investigation work in the A1/Brown's Creek basin for a total of $1,353,083.

3. A sewer extension project was completed between Country Meadows and Montvale pump station, eliminating one of the stations. Project costs totaled $669,379 with $471,495 spent in fiscal year 2016.

4. Water distribution system replacement took place along Barbara Lane as well as some valve program work and fire hydrant replacements and upgrades for a total of $96,890.

(Continued)

5. Water extension projects were completed along West Broadway, Calderwood Avenue, Westside Drive, Cunningham Street and Hilltop Avenue for a total of $224,138.

6. New residential and commercial services were installed for both water and sewer at a cost of $182,937 and $42,151, respectively. Additionally, $71,180 was spent to purchase meters and continue the meter maintenance program.

7. During the year several vehicles and outdated equipment were sold and replaced with a tandem dump truck, 4 pickup trucks, a backhoe and a new vacuum excavator. The net expense was $389,631.

Electric System Improvements

The Electric Department completed or began several significant projects in FY 2016. Listed below are highlights:

1. Spent $586,559 for equipment replacement, including a bucket truck, an underground truck with a crane, and right of way clearance equipment.

2. Continued implementation of our remote communications system for our metering network (AMI) at an expense of $135,789.

3. Installed new underground facilities in the amount of $330,740.

4. Replaced underground facilities in the amount of $280,711.

5. Installed new overhead facilities in the amount of $45,474.

6. Improved or replaced existing overhead facilities in the amount of $1,134,028.

7. New and upgraded traffic lighting was installed for a cost of $179,195.

8. Implemented an Outage Management System (OMS) at a cost of $141,053.

Engineering & Public Works Improvements

The Engineering and Public Works Department ("EPW") completed several projects in FY 2016 in the areas of Engineering, Transportation, Grounds, Solid Waste and Stormwater Management. Highlights include:

1. McCammon Avenue was relocated on new alignment to correspond with Hamilton Crossing at the traffic signal on West Bessemer Street. The project was designed and managed by EPW, and was constructed using 80% federal funds through Tennessee Department of Transportation ("TDOT") Local Programs. The 5-year-long project (through design, right-of-way, and construction) was completed on April 30, 2016, by Patty Construction Inc. at a cost of $448,270.

2. The existing traffic signal at the intersection of Washington Avenue and Sevierville Road was damaged by a tractor trailer truck crash in June 2015. The intersection operated with no signal and STOP control on the side streets until the new signal could be installed. The new mast arm configuration and turning radius improvements were designed by Central Traffic Operations. The project was completed in March 2016 by the City's contractor, Progression Electric Co., Inc. at a cost of $126,442.

3. The existing traffic signal equipment at the intersection of U.S. 129 and Foothills Mall Drive was aging and had been damaged from previous incidents. The new traffic signal included a new box span with new steel strain poles and new controller cabinet. The project was completed by the City's contractor, Progression Electric Co., Inc. in July 2015 at a cost of $159,034.

4. A total of 20 streets were re-paved, primarily around the neighborhoods near Maryville High School, during the summer months of July and August 2015. The City's contractor was APAC Atlantic Inc. and the work was completed at a cost of $532,932.

5. Safety and flooding problems were addressed in Sandy Springs Park by installing 240 ft. of 48" HDPE pipe. The construction work was performed by EPW crews, and the total cost of the project was $21,767.

6. A collapsed pipe and deep ditches were addressed along Barnes Avenue and Montvale Road in this stormwater improvement project. 140 ft. of 18" HDPE pipe was installed by EPW crews, and the total cost of the project was $11,892.

7. A deep ditch along Henry G. Lane Street which presented a safety problem was addressed in this project. 140 ft. of 36" HDPE pipe was installed by EPW crews, and the pipe cost was $11,134.

(Continued)

Financial Information

Internal Controls

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

Budgetary Controls

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

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

Other Information

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Maryville for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

Greg S. McClain
City Manager

Deborah P. Caughron
Director of Financial Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

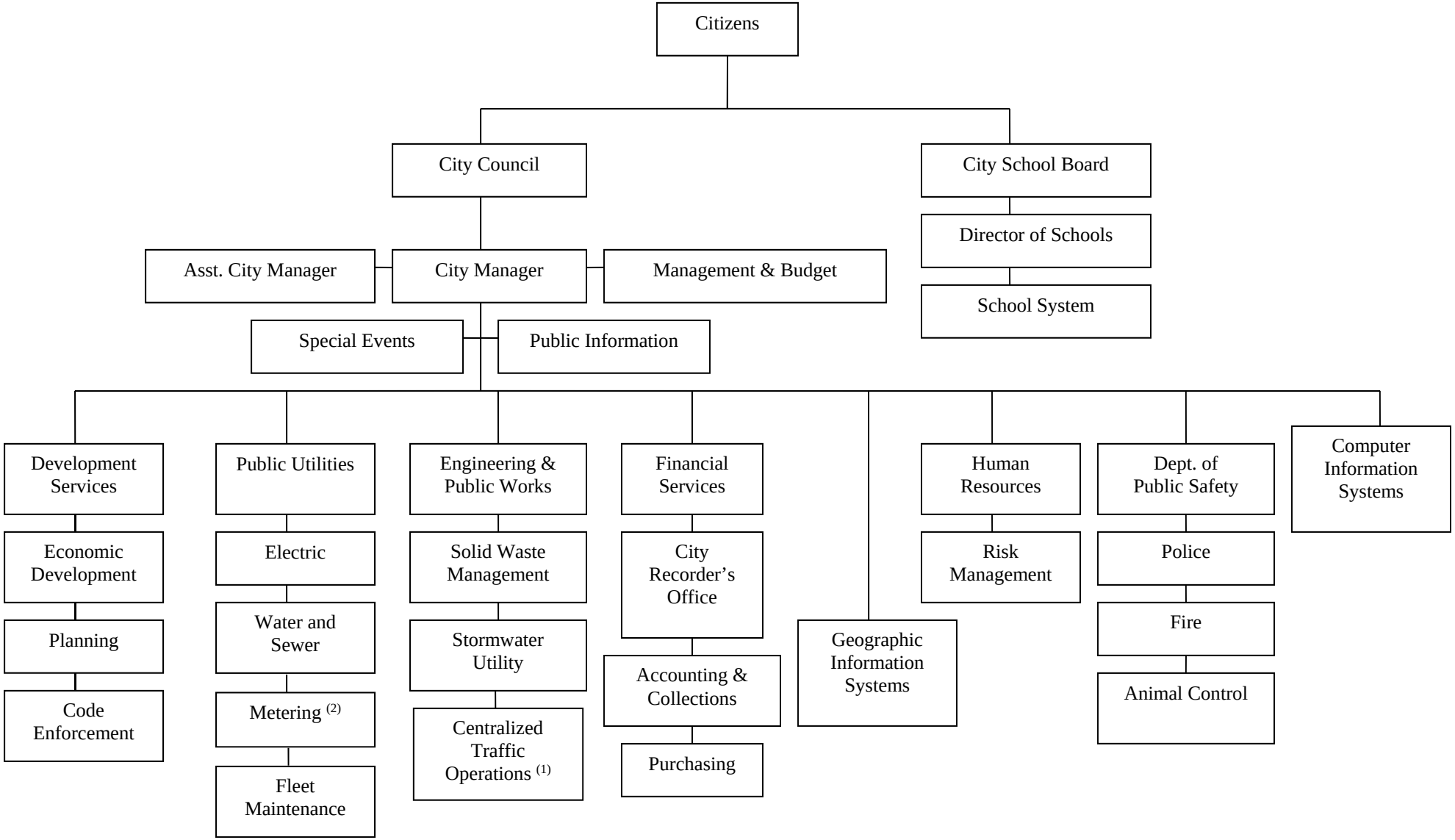
City of Maryville Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF MARYVILLE, TENNESSEE
Organizational Chart as of 6/30/16



(1)Centralized Traffic Operations established July 2012
(2)Metering established July 2014

I. City Council

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

II. City School Board

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

III. City Administration

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

IV. City School Administration

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

V. Judicial/Legal Services

A. William Yarborough ..... City Judge
B. Tracy Jenkins (started January 2016) ..... City Juvenile Judge
C. Michael Fox ..... Assistant City Judge
D. David Black ..... City Attorney (1)

VI. Department Heads

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

(1) Per contractual agreement

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Ingram Overholt & Bean, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

428 Marilyn Lane
Alcoa, Tennessee 37701

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maryville, Tennessee (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maryville, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1(S-b) to the financial statements, in 2016 the City adopted a new accounting guidance, GASB No. 72 *Fair Value Measurement and Application.* Our opinion is not modified with respect to this matter.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages x through xix and required supplementary schedules on pages 73 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Maryville, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, enterprise fund schedules, capital asset schedules, other miscellaneous schedules, statistical section, and the schedule of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 20, 2016, on our consideration of the City of Maryville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Maryville, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC
Alcoa, Tennessee
December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Maryville's Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

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

The City implemented GASB Statement 68 (Accounting and Financial Reporting for Pensions) for the fiscal year ending June 30, 2015. With the new reporting requirement, the City allocated its proportionate share of the Tennessee Consolidated Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance occurred in FY 2015 for funds that carried defined benefit pension obligations, including, but not limited to, the General Fund, General Purpose School Fund, the three utility funds and certain internal service funds. Decisions regarding the investment decisions of the assets held by the Tennessee Consolidated Retirement System ("TCRS") are made by the administrators of the pension plan, not by the City's management. Certain FY 2015 data is included in this FY 2016 report for comparison purposes.

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

Proprietary Funds

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

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

Notes to the Financial Statements

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

Financial Highlights

- The City's total assets exceeded its liabilities at June 30, 2016, by $178,548,095 (net position). Of this amount, $22,407,125 (unrestricted position) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of $21,002,980, a decrease of $8,467,665 in comparison with the prior year. Of this amount, $8,126,757 remains in the General Fund as unassigned and $7,273,369 is assigned within the General Purpose School Fund for total fund balances at the lowest level of control of $15,400,126. For the prior year, combined fund balances within the General Fund and General Purpose School Fund were $15,763,925, for a difference of $363,799. The most significant decrease in fund balance occurred in the Debt Service Fund, with a June 30, 2016 assigned balance of $243,669 versus $8,025,226. The decrease of $7,781,557 is reflective primarily of a prepayment of long term debt of $7.8 million.

- At June 30, 2016, the City's General Fund reported an unassigned fund balance of $8,126,757, an increase of $303,176 from last fiscal year. The total Assigned and Unassigned Fund Balance for General Fund was $8,505,607, a decrease of $214,757. The difference year over year is a decrease in Assigned Fund Balance from $896,893 to $378,850 due to a decreased use of fund balance in the next fiscal year's budget. Unassigned fund balance of 6/30/2016 is approximately 20.6% of total general fund expenditures, including transfers to schools, debt service and other operations for FY 2016.

- At June 30, 2016, the City's General Purpose School Fund reported an assigned fund balance of $7,273,369, a decrease of $666,975 from last fiscal year. Assigned fund balance is approximately 15.0% of total fund expenditures for FY 2016. Tennessee State Law requires schools to maintain a minimum fund balance of 3% (TCA 49-3-352).

- The capital project to construct secure entries to the three elementary schools began in FY 2015 and was completed in FY 2016. The total FY 2016 expense for school capital projects was $281,711.

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $178,548,095 at the close of the most recent fiscal year. This amount represents an increase of $10,913,650, or 6.5% over FY 2015. As noted in an earlier section of this report, GASB Statement 68 (Accounting and Financial Reporting Related to Pensions) has been implemented in FY 2015. Pension Deferrals in the amount of $4,967,745 is classified as a Deferred Outflow of Resources, and Deferred Inflows of Resources includes Pension Deferrals in the amount of $7,079,030 and Deferred Revenue in the amount of $19,670,570.

Net Position
June 30, 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Current and other Assets	$ 50,736,169	$ 58,483,339	$ 24,242,440	$ 25,913,525	$ 74,978,609	$ 84,396,864
Capital Assets (Net)	135,488,826	134,801,843	139,288,446	136,075,434	274,777,292	270,877,277
Total Assets	186,224,995	193,285,182	163,530,906	161,988,959	349,755,901	355,274,141
Deferred Outflows of Resources:						
Pension Deferrals	4,309,545	3,992,414	658,200	508,948	4,967,745	4,501,362
Deferred Charges on Refunding	1,439,584	1,544,956	203,193	-	1,642,777	1,544,956
Total Deferred Outflows Of Resources	5,749,129	5,537,370	861,393	508,948	6,610,522	6,046,318

(Continued)

Net Position (Continued)
June 30, 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Long-Term Liabilities	78,580,553	89,351,933	53,574,424	55,390,522	132,154,977	144,742,455
Other Liabilities	8,984,316	6,935,579	9,929,435	9,886,040	18,913,751	16,821,619
Total Liabilities	87,564,869	96,287,512	63,503,859	65,276,562	151,068,728	161,564,074
Deferred Inflows of Resources:						
Deferred Revenue	19,670,570	19,197,281	-	122,005	19,670,570	19,319,286
Pension Deferrals	6,675,848	11,377,051	403,182	1,425,603	7,079,030	12,802,654
Total Deferred Inflows of Resources	26,346,418	30,574,332	403,182	1,547,608	26,749,600	32,121,940
Net Position:						
Net Investment in Capital Assets	63,845,926	51,401,298	88,750,325	83,526,202	152,596,251	134,927,500
Restricted	3,544,719	10,093,572	-	-	3,544,719	10,093,572
Unrestricted	10,672,192	10,465,838	11,734,933	12,147,535	22,407,125	22,613,373
Total Net Position	$ 78,062,837	$ 71,960,708	$ 100,485,258	$ 95,673,737	$ 178,548,095	$ 167,634,445

The largest portion of the City's net position (85%) at June 30, 2016, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not easily or quickly available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not planned to be used to liquidate these liabilities.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. This amount has declined by $6,547,853, primarily due to the expenditures of reserve funds in the Debt Service Fund for the prepayment of long-term debt. The remaining balance of unrestricted net position of $22,407,125 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities experienced an increase of 24% year over year for Net Investment in Capital Assets. Business-Type Activities experienced an increase of 6.2% year over year for Net Investment in Capital Assets. This change resulted primarily from additions to Water and Sewer, Electric and Stormwater utilities Plant-in-Service.

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

Changes in Net Position
June 30, 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues						
Program Revenues:						
Charges for Services	$ 4,246,253	$ 4,800,952	$ 82,360,232	$ 82,269,022	$ 86,606,485	$ 87,069,974
Operating Grants and Contributions	23,155,848	22,873,038	121,903	-	23,277,751	22,873,038
Capital Grants and Contributions	879,601	594,673	1,352,422	541,280	2,232,023	1,135,953
General Revenues:						
Sales Taxes	18,682,970	18,258,885	-	-	18,682,970	18,258,885
State Income Taxes and Excise Taxes	686,015	537,456	-	-	686,015	537,456
Property Taxes	29,963,302	28,462,845	-	-	29,963,302	28,462,845
Business Taxes	1,008,162	1,044,938	-	-	1,008,162	1,044,938
Miscellaneous Taxes	3,051,698	3,005,430	-	-	3,051,698	3,005,430
In-Lieu of Taxes	923,008	1,036,489	-	-	923,008	1,036,489

(Continued)

Changes in Net Position (Continued)
June 30, 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues (Continued)						
Investment Earnings	267,939	256,400	36,548	14,813	304,487	271,213
Miscellaneous Revenues	1,761,861	1,817,076	8,400	8,400	1,770,261	1,825,476
Gain on Deletion of of Capital Assets	84,798	48,583	75,493	69,101	160,291	117,684
Total Revenues	84,711,455	82,736,765	83,954,998	82,902,616	168,666,453	165,639,381
Expenses						
General Government	6,370,371	4,819,297	-	-	6,370,371	4,819,297
Public Safety	9,548,584	8,724,154	-	-	9,548,584	8,724,154
Public Works	7,746,805	7,114,555	-	-	7,746,805	7,114,555
Culture and Recreation	2,468,577	3,312,723	-	-	2,468,577	3,312,723
Economic Development	30,037	18,059	-	-	30,037	18,059
Education	51,022,934	49,261,478	-	-	51,022,934	49,261,478
Interest on Long-Term Debt	2,623,253	2,567,148	-	-	2,623,253	2,567,148
Other Debt Service	119,407	200,463	-	-	119,407	200,463
Electric	-	-	63,536,304	63,780,518	63,536,304	63,780,518
Water and Sewer	-	-	13,107,255	13,027,635	13,107,255	13,027,635
Stormwater Utility	-	-	1,179,276	1,039,904	1,179,276	1,039,904
Total Expenses	79,929,968	76,017,877	77,822,835	77,848,057	157,752,803	153,865,934
Excess of Revenues Over Expenses before Transfers	4,781,487	6,718,888	6,132,163	5,054,559	10,913,650	11,773,447
Transfers – In Lieu of Tax Payments	1,320,642	1,192,314	(1,320,642)	(1,192,314)	-	-
Change in Net Position	6,102,129	7,911,202	4,811,521	3,862,245	10,913,650	11,773,447
Net Position at Beginning of Year	71,960,708	74,022,527	95,673,737	93,537,806	167,634,445	167,560,333
Prior Period Adjustment	-	(9,973,021)	-	(1,726,314)	-	(11,699,335)
Net Position at End of Year	$ 78,062,837	$ 71,960,708	$ 100,485,258	$ 95,673,737	$ 178,548,095	$ 167,634,445

Analysis of Change in Net Position

Governmental Activities

- Governmental activities increased the City's governmental net position by $6,102,129.
- Revenue increased by 2.4%, or $1,974,690, to $84,711,455. The City's largest revenue category, property taxes, increased by $1,500,457, or 5.3%. Sales taxes increased by $424,085 year over year, an increase of 2.3%.
- The City's local option sales tax rate was increased from 2.25% to 2.75% effective February 1, 2014. FY 2015 was the first year in which the additional sales tax was collected for a full 12 month period, resulting in the 20% year over year increased. For FY 2014 and FY 2015, sales taxes generated by the additional 0.5% were shared equally by the City's General Fund and General Purpose School Fund. Beginning 7/1/2015, the proceeds of the additional tax designated for education will be remitted by the State Department of Revenue to the Blount County Trustee for allocation to all three school systems located within the County in accordance with average daily attendance percentages. As a result, the City experienced a much smaller year over year increase in FY 2016 of 2.3% due to shifts in the allocation of sale tax collections among the three local public school districts.
- Expenses increased by 5.1%, or $3,912,091, due primarily to increases in General Government expenses of $1,551,074 (industrial recruitment incentives) and increases in Education of $1,761,456.

Analysis of Change in Net position (Continued)

Business-Type Activities

- Business-type activities increased the City's business-type net position by $4,811,521.
- The Electric Utility, the largest business-type activity of the City with FY 2016 operating revenues of $65,751,838 and expenses of $63,231,063, experienced decreased revenues and expenses from the prior year. Purchased Power expense for the utility decreased by $781,514, or 1.4% year over year. Purchased Power expense as a % of Charges for Service decreased from 85.4% in FY 2015 to 84.5% in FY 2016. The residential customer charge for Electric service increased $2 per month beginning October 1, 2016.
- The Water and Sewer Fund concluded FY 2016 with a change in net position of $3,059,677 compared to $1,881,477 in the previous year. Operating revenues increased by $380,190, or 2.6%, to $15,212,193 while expenses increased by $49,870, or <1%, to $10,855,263. The most recent Water and Wastewater rate increase was effective January 1, 2013. There was no rate increase for FY 2016 nor is one expected for FY 2017.
- The Stormwater Utility finished the fiscal year with operating revenues of $1,396,201 and operating expenses of $1,179,276. The fund ended the fiscal year with a net position of $3,020,876.
- Total Business-Type Activities contributed transfers-in-lieu of tax payments of $1,320,642 compared to $1,192,314 in FY 2015.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. As of June 30, 2016, unassigned fund balance of the General Fund was $8,126,757. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, including General Fund transfers. Unassigned fund balance represents 20.6% of total general fund expenditures.

The General Purpose School Fund is the primary operating fund for the Maryville City Schools. As of June 30, 2016, the assigned fund balance of the General Purpose School Fund was $7,273,369. Assigned fund balance represents 15.0% of total general purpose school fund expenditures. The City's contribution from General Fund for operating support of the schools was $9,222,500.

The Debt Service Fund is used to pay principal and interest for debt issued for City and School-related projects, not including self-supporting debt issued for capital improvements to the Water & Wastewater and Electric Utilities. In FY 2016, primary revenues to the Debt Service Fund were a transfer from General Fund and contributions from Maryville College related to payment of debt issued for construction of the Civic Arts Center. The assigned fund balance of the Debt Service Fund as of June 30, 2016, was $243,669. The decrease of $7,781,557 from the prior year is reflective primarily to a prepayment of long term debt of $7.8 million.

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

Proprietary Funds

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

Net position of the Electric Utility as of June 30, 2016 was $40,179,609, an increase of $1,248,919 from the prior year. Operating income for the utility was essentially unchanged from $2,527,374 in FY 2015 to $2,520,775 in FY 2016. Charges for services decreased by <1.0% and purchased power costs decreased by 1.4% year over year.

Net position of the Water and Sewer Department as of June 30, 2016, was $57,284,773, an increase of $3,059,677 from June 30, 2015. Operating income for the utility increased from $4,026,610 in FY 2015 to $4,356,930 for FY 2016. Capital Contributions (Non-Cash) increased from $541,280 for FY 2015 to $1,352,422 in FY 2016.

Net position of the Stormwater Utility as of June 30, 2016 was $3,020,876. Operating income for the utility decreased slightly from $347,450 in FY 2015 to $216,925 for FY 2016.

General Fund Budgetary Highlights

The final budget increased the original appropriation by $1,687,446 to $39,496,587 (excluding Animal Control and Solid Waste operations).

The final budget for Legislative was increased by $1,181,445 to account for the City's contribution for site work related to an industrial expansion project located in the Blount County Industrial Park.

Expenses for Public Works – Street Lighting were increased by $95,304 to account for actual expense of $745,304.

The final budget also appropriated additional transfers to the Equipment Replacement Fund of $350,000, Stormwater Fund of $250,000, Grant Fund for $100,000 and Capital Project Fund of $50,000. The adjusted cost center budget for Transfer of Funds was $7,590,433.

Below is a summary of changes to the final budget:

Description	Revenue Amount	Appropriation Amount
Multiple revenue line items	$ 1,620,868	
Net Change in Use of Fund Balance	110,467	
Development Services		$ (36,452)
Legislative		1,181,445
Human Resources		(22,307)
Engineering		(18,890)
Finance		(32,509)
Police Services		(229,770)
Fire Services		(53,563)
Public Works – Streets		(21,401)
Public Works – Street Lighting		95,304
Parks and Recreation		(20,000)
Non-Department Appropriations		(19,622)
Library		47,670
Debt Service		113,133
Transfer of Funds		748,297
Total Change	$ 1,731,335	$ 1,731,335

Capital Asset and Debt Administration

Capital Assets as of June 30, 2016
Net of Depreciation

Capital Assets	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land	$ 7,102,096	$ 6,680,451	$ 2,050,822	$ 1,991,080	$ 9,062,918	$ 8,671,531
Right-of-Way/Easements	122,130	122,130	-	-	122,130	122,130
Construction in Progress	1,178,453	1,285,806	2,547,324	3,563,556	4,265,777	4,849,362
Buildings	101,004,058	101,004,058	-	-	101,004,058	101,004,058
Improvements	27,317,468	25,064,136	-	-	27,317,468	25,064,136
Infrastructure	19,760,958	18,831,280	-	-	19,760,958	18,831,280
Machinery, Equipment and Vehicles	20,452,499	19,124,340	-	-	20,452,499	19,124,340
Capital Lease Property	24,466,663	24,466,663	-	-	24,466,663	24,466,663
Electric Plant	-	-	72,571,381	68,850,484	72,571,381	68,850,484
Water & Wastewater Plant	-	-	131,945,272	126,695,517	131,945,272	126,695,517
Stormwater Utility	-	-	3,195,653	2,967,941	3,195,653	2,967,941
Utility Plant Acquisition Costs	-	-	162,770	162,770	162,770	162,770
Total Capital Assets	201,854,325	196,578,864	212,473,222	204,231,348	414,327,547	400,810,212
Less: Accumulated Depreciation	66,365,499	61,777,021	73,184,756	68,155,914	139,550,255	129,932,935
Net Capital Assets	135,488,826	134,801,843	139,2898,466	136,075,434	274,777,292	270,877,277
Net Capital Assets-Beginning	134,801,843	136,117,154	136,075,434	133,392,759	270,877,277	269,509,913
Increase (Decrease) in Net Capital Assets	686,983	(1,315,311)	3,213,032	2,682,675	3,900,015	1,367,364
Net Capital Assets- Ending	$ 135,488,826	$ 134,801,843	$ 139,288,466	$ 136,075,434	$ 274,777,292	$ 270,877,277

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounts to $274,777,292 net of accumulated depreciation, an increase of less than 1.4%, or $3,900,015, year over year.

Total capital assets in the Governmental Activities category increased by $5,275,461 while accumulated depreciation also increased by $4,588,478, thereby resulting in an increase in net capital assets of $686,983. Construction in Progress as of 6/30/16 includes the Culinary Arts Building at Maryville High School of $530,000, the McCammon Avenue relocation project of $555,000, improvements to John Sevier Pool for $129,000 and the Amerine Station Connector Road project for $372,000.

In the Business-Type Activities, there is an increase in Electric Plant assets of $3,720,897. Water & Wastewater Plant assets increased by $5,249,755, which includes contributed capital, and Stormwater Utility assets rose by $227,712.

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

Long-Term Debt

Outstanding Long-Term Obligations
June 30, 2016

Debt	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
General Obligation/Rev Bonds	$ 45,347,000	$ 45,790,000	$ 48,103,000	$ 50,130,000	$ 93,450,000	$ 95,920,000
Public Improvement Loans	660,000	2,325,000	-	-	660,000	2,325,000
TN State School Bond Authority Loan	11,808,749	12,976,847	-	-	11,808,749	12,976,847
TN State Revolving Fund Loans	-	-	1,813,644	1,915,788	1,813,644	1,915,788
Capital Lease Obligations	12,094,078	20,593,645	-	-	12,094,078	20,593,645
Premium on Bonds	1,733,073	1,715,053	621,497	503,444	2,354,570	2,218,497
Total Debt Payable	71,642,900	83,400,545	50,538,141	52,549,232	122,181,041	135,949,777
Compensated Absences	1,736,626	1,643,327	1,698,542	1,664,000	3,435,168	3,307,327
Net OPEB Obligation	5,201,027	4,308,061	1,337,741	1,177,290	6,538,768	5,485,351
Total Long Term Obligations	$ 78,580,553	$ 89,351,933	$ 53,574,424	$ 55,390,522	$ 132,154,977	$ 144,742,455

As of June 30, 2016, the City had total bonded debt outstanding of $69,909,827, comprised of general obligation debt backed by its full faith and credit pledge excluding original issue premium. In addition, the City is obligated for another $49,916,644 in revenue debt issued for the Water & Wastewater and Electric utilities, excluding original issue premium. These revenue bonds, while carrying the credit support of the City's general obligation pledge, are repaid from net revenues of the appropriate utility.

On August 24, 2014, Standard & Poor's upgraded the City's General Obligation long term and underlying bond rating from AA- to AA. Standard & Poor's most recently affirmed the AA rating/Stable outlook on March 15, 2016. The City's bond rating as assigned by Moody's Investors Service remains Aa3. See Note 7 beginning on page 46 for additional details.

The Charter of the City of Maryville limits the issuance of general obligation debt up to an amount that will not exceed fifteen percent (15%) of the total assessed value of the incorporated area. The current debt limitation for the City is $135,129,561 compared to the City's outstanding debt net of fund balance held in the Debt Service Fund of $71,399,231. The legal debt margin is $63,730,330. See Schedule 12 on page 160 in the Statistical Section of the report for additional details.

In FY 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires public sector employers to expense the cost of other (i.e. non-pension) employment benefits (OPEB) over the service years of their employees. The net OPEB obligation is the net amount for which the City would be obligated. The net OPEB obligation is equivalent to the annual OPEB cost, which is the OPEB expense for the year on the accrual basis of accounting, less estimated retiree claims currently paid by the City on a pay-as-you-go basis. The City's net OPEB obligation, including Schools, at June 30, 2016 was $6,538,768. Please see Note 9 beginning on page 60 for additional details.

The FY 2017 Budget

Highlights of the FY 2017 Budget include:

- A General Fund Appropriation Budget of $38,346,365, an increase of $533,446, or 1.4%, from the amended FY 2016 Budget of $37,812,919.

- The FY 2017 General Fund Budget maintains the property tax rate of $2.17 per $100 of assessed valuation. For a residence valued at $150,000, City property taxes for FY 2017 remain $814, or $68 per month.

The FY 2017 Budget (Continued)

- The FY 2017 Budget funds 311 full-time positions city-wide (general government services and utilities), an increase of 6.5 positions from the previous year.

- The FY 2017 Budget funds a cost of living increase for all employees of 1.0% and step raises for eligible employees. City funding of employee medical expenses increased 7.0% over the prior year. Premiums paid by employees for medical benefits also increases 7% effective 7/1/16.

- General Government capital projects funded and one-time operating expenses within the FY 2017 budget include:

    - Replacement of Vehicles and Equipment – $1,583,225.
    - Six New Positions (4 Police Officers, 1 Fleet Mechanic, 1 Traffic Signal Technicial) –$357,614.
    - Replace Fuel Pumps and Storage Tanks – $250,000.
    - Amerine Station Connector Road (2nd year) – $175,000.

- Water & Sewer capital projects totaling $6,546,470 are scheduled for FY 2017 to focus primarily on system rehabilitation. There was no Water & Wastewater rate increase proposed for 7/1/2016.

- The capital plan for the Electric System includes ongoing system rehabilitation and maintenance, substation upgrades, new signal installation, equipment replacement and overhead and underground construction. The FY 2017 capital budget for the Electric Department is $3,948,000. An increase in the monthly residential customer service charge of $2 became effective October 1, 2016.

- The capital plan for the Stormwater Utility includes projects of $302,000. There is no Stormwater rate increase proposed for 7/1/2016.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2016 and 2015

	Governmental Activities	Business-type Activities	Total 2016	Total 2015
ASSETS:				
Cash	$ 6,423,991	$ 2,894,236	$ 9,318,227	$ 7,252,495
Investments	6,199,202	13,558,841	19,758,043	22,604,840
Pooled cash	1,096,148	-	1,096,148	2,667,825
Pooled investments	12,122,235	-	12,122,235	18,040,523
Receivables:				
Taxes, net	21,541,077	-	21,541,077	21,386,144
Accounts, net	605,939	3,428,704	4,034,643	4,676,792
Accrued interest	3,348	-	3,348	6,550
Rentals	-	165,811	165,811	166,333
Other	-	531,526	531,526	585,565
Internal balances	146,025	(146,025)	-	-
Due from other governments	2,238,485	-	2,238,485	2,490,759
Inventories	355,660	1,780,385	2,136,045	2,084,703
Net pension asset – school employees	4,059	-	4,059	94,221
Regulatory charges	-	1,125,948	1,125,948	1,344,077
Prepaid items/clearing accounts/other assets	-	146,435	146,435	177,811
Energy service loans receivable	-	756,579	756,579	818,226
Capital assets (net of accumulated depreciation and amortization):				
Land	7,012,096	-	7,012,096	6,680,451
Rights-of-way/Easements	122,130	-	122,130	122,130
Buildings	71,416,038	-	71,416,038	73,427,454
Improvements	20,097,835	-	20,097,835	18,662,350
Infrastructure	8,902,330	-	8,902,330	8,561,695
Equipment, vehicles and software	8,200,039	-	8,200,039	7,028,833
Capital lease property	18,019,905	-	18,019,905	19,033,124
Electric plant in service	-	41,943,784	41,943,784	40,003,917
Water/sewer plant in service	-	91,963,144	91,963,144	89,776,783
Stormwater utility plant in service	-	2,834,214	2,834,214	2,731,178
Construction-in-progress	1,718,453	2,547,324	4,265,777	4,849,362
Total Assets	186,224,995	163,530,906	349,755,901	355,274,141
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	1,439,584	203,193	1,642,777	1,544,956
Pension contributions after measurement date	3,605,155	658,200	4,263,355	4,109,212
Pension changes in experience	201,884	-	201,884	228,746
Pension changes in proportion of net pension asset	502,506	-	502,506	-
Total Deferred Outflows of Resources	5,749,129	861,393	6,610,522	5,882,914

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF NET POSITION (Continued)
June 30, 2016 and 2015

	Governmental Activities	Business-type Activities	Total 2016	Total 2015
LIABILITIES:				
Accounts payable	1,369,243	6,313,573	7,682,816	7,931,592
Cash overdraft	-	-	-	-
Accrued payroll	3,262,864	-	3,262,864	3,123,518
Accrued interest payable	141,284	115,754	257,038	269,744
Other liabilities	1,892,187	26,449	1,918,636	1,883,475
Net pension liability	2,318,738	835,223	3,153,961	1,087,397
Customer deposits	-	1,689,257	1,689,257	1,573,867
Advances from TVA for energy service loans	-	756,579	756,579	818,226
Refundable deposits	-	192,600	192,600	133,800
Long-term liabilities:				
Due within one year	4,786,310	3,000,189	7,786,499	7,430,065
Due in more than one year	73,794,243	50,574,235	124,368,478	137,312,390
Total Liabilities	87,564,869	63,503,859	151,068,728	161,564,074
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue	19,670,570	-	19,670,570	19,319,286
Pension changes in experience	4,483,699	224,164	4,707,863	746,622
Pension changes in investment earnings	2,192,149	179,018	2,371,167	11,892,628
Total Deferred Inflows of Resources	26,346,418	403,182	26,749,600	31,958,536
NET POSITION:				
Net investment in capital assets	63,845,926	88,750,325	152,596,251	134,927,500
Restricted for:				
Special Revenue:				
State Street Aid	1,229,393	-	1,229,393	511,248
Public Works	776,807	-	776,807	215,432
Education	-	-	-	50,397
Debt Service	243,669	-	243,669	8,025,226
Capital Projects	1,294,850	-	1,294,850	1,291,269
Unrestricted position	10,672,192	11,734,933	22,407,125	22,613,373
Total Net Position	$ 78,062,837	$ 100,485,258	$ 178,548,095	$ 167,634,445

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: 2016 Governmental Activities	2016 Business-type Activities	2016 Total	2015 Total
Governmental Activities:								
General Government	$ 6,370,371	$ 347,595	$ 4,085	$ -	$ (6,018,691)	$ -	$ (6,018,691)	$ (4,390,291)
Public Safety	9,548,584	451,403	27,921	24,604	(9,044,656)	-	(9,044,656)	(8,164,526)
Public Works	7,746,805	514,347	169,075	469,984	(6,593,399)	-	(6,593,399)	(6,040,442)
Culture and Recreation	2,468,577	-	10,000	206,602	(2,251,975)	-	(2,251,975)	(2,485,829)
Economic Development	30,037	42,300	-	-	12,263	-	12,263	24,241
Education	51,022,934	2,890,608	22,944,767	178,411	(25,009,148)	-	(25,009,148)	(23,924,756)
Debt Service:								
Interest on long-term debt	2,623,253	-	-	-	(2,623,253)	-	(2,623,253)	(2,567,148)
Other debt service	119,407	-	-	-	(119,407)	-	(119,407)	(200,463)
Total Governmental Activities	79,929,968	4,246,253	23,155,848	879,601	(51,648,266)	-	(51,648,266)	(47,749,214)
Business-Type Activities:								
Electric	63,536,304	65,751,838	121,903	-	-	2,337,437	2,337,437	2,269,147
Water and Sewer	13,107,255	15,212,193	-	1,352,422	-	3,457,360	3,457,360	2,345,648
Stormwater Utility	1,179,276	1,396,201	-	-	-	216,925	216,925	347,450
Total Business-type Activities	77,822,835	82,360,232	121,903	1,352,422	-	6,011,722	6,011,722	4,962,245
Total Government	**$ 157,752,803**	**$ 86,606,485**	**$ 23,277,751**	**$ 2,232,023**	(51,648,266)	6,011,722	(45,636,544)	(42,786,969)
General Revenues:								
Sales tax					18,682,970	-	18,682,970	18,258,885
State income taxes and excise taxes					686,015	-	686,015	537,456
Property taxes					29,963,302	-	29,963,302	28,462,845
Business taxes					1,008,162	-	1,008,162	1,044,938
Miscellaneous taxes					3,051,698	-	3,051,698	3,005,430
In-lieu-of taxes					923,008	-	923,008	1,036,489
Investment earnings					267,939	36,548	304,487	271,213
Miscellaneous					1,761,861	8,400	1,770,261	1,825,476
Gain on deletion of capital assets					84,798	75,493	160,291	117,684
Transfers – In-lieu-of-tax payments					1,320,642	(1,320,642)	-	-
Total General Revenues and Transfers					57,750,395	(1,200,201)	56,550,194	54,560,416
Change in Net Position					6,102,129	4,811,521	10,913,650	11,773,447
Net Position – Beginning					71,960,708	95,673,737	167,634,445	167,560,333
Restatement – See Note 1 (S-a)					-	-	-	(11,699,335)
Adjusted Net Position – Beginning					71,960,708	95,673,737	167,634,445	155,860,998
Net Position – Ending					**$ 78,062,837**	**$100,485,258**	**$ 178,548,095**	**$ 167,634,445**

See accompanying independent auditors' report and notes

CITY OF MARYVILLE, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2016
With Comparative Totals at June 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets:						
Cash	$ 369,913	$ 3,876,676	$ -	$ 1,739,592	$ 5,986,181	$ 5,021,740
Investments	-	6,199,202	-	-	6,199,202	7,253,372
Pooled Cash	861,694	-	-	234,454	1,096,148	2,667,825
Pooled Investments	7,807,092	-	275,083	4,040,060	12,122,235	18,040,523
Receivables:						
Taxes	20,480,844	1,201,175	-	-	21,682,019	21,531,116
Less: Allowance for uncollectible taxes	(140,942)	-	-	-	(140,942)	(144,972)
Accounts	386,891	13,394	-	90,788	491,073	254,178
Accrued interest	3,348	-	-	-	3,348	6,550
Due from other governments	1,859,221	92,546	-	286,718	2,238,485	2,490,759
Inventories	-	-	-	34,118	34,118	49,596
Due from other funds	2,136	993,727	-	-	995,863	346,739
Total Assets	31,630,197	12,376,720	275,083	6,425,730	50,707,730	57,517,426
Deferred Outflow of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 31,630,197	$ 12,376,720	$ 275,083	$ 6,425,730	$ 50,707,730	$ 57,517,426
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 628,134	$ -	$ 31,414	$ 598,433	$ 1,257,981	$ 866,435
Due to other funds	2,301,017	-	-	846,962	3,147,979	2,501,574
Accrued payroll	-	3,262,864	-	-	3,262,864	3,123,518
Other liabilities	51,700	1,840,487	-	-	1,892,187	1,852,827
Total Liabilities	2,980,851	5,103,351	31,414	1,445,395	9,561,011	8,344,354
Deferred Inflow of Resources:						
Deferred Revenue	20,143,739	-	-	-	20,143,739	19,702,427

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
BALANCE SHEET (Continued)
Governmental Funds
June 30, 2016
With Comparative Totals at June 30, 2015

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2016	Total Governmental Funds 2015
Fund Balances:						
Nonspendable	-	-	-	34,118	34,118	49,596
Restricted	-	-	-	1,934,318	1,934,318	2,086,536
Committed	-	-	-	956,381	956,381	895,136
Assigned	378,850	7,273,369	243,669	2,055,518	9,951,406	18,615,796
Unassigned	8,126,757	-	-	-	8,126,757	7,823,581
Total Fund Balances	8,505,607	7,273,369	243,669	4,980,335	21,002,980	29,470,645
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 31,630,197	$ 12,376,720	$ 275,083	$ 6,425,730	$ 50,707,730	$ 57,517,426

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2016
With Comparative Totals at June 30, 2015

		2016	2015
Fund Balances – Total Governmental Funds		$ 21,002,980	$ 29,470,645
Amounts to be reported for governmental activities in the statement of net position are different because:			
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		135,149,201	134,450,475
(2) Certain earned amounts are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		473,169	505,146
(3) Internal service funds are used by management to charge the cost of fleet maintenance/data processing services, workers' compensation, employee health and dental benefits, and facilities operation and maintenance to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		3,400,722	3,558,210
(4) Losses on the advance refunding of debt are expensed when incurred in the governmental funds. The unamortized portion of these losses is reflected on the statement of net position.		1,439,584	1,544,956
(5) Interest costs of long-term debt is expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net position.		(141,284)	(146,590)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Deferred outflows related to pensions	$ 4,309,545		
Less: deferred inflows related to pensions	(6,675,848)	(2,366,303)	(7,384,637)
(7) Net pension assets of the agent plan are not current financial resources and, therefore, are not reported in the governmental funds.		4,059	94,221
(8) Net pension obligations of the agent plan are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,318,738)	(779,785)
(9) Long-term liability for other post-employment benefits is expensed when due in the governmental funds. Such costs incurred as of the balance sheet date are accrued in the statement of net position.		(5,201,027)	(4,308,061)
(10) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Notes Payable	$ 12,468,749		
Bonds Payable	45,347,000		
Compensated Absences	1,736,626		
Capital Lease Obligations	12,094,078		
Premium on Bonds and Capital Lease Obligations (net of accumulated amortization)	1,733,073	(73,379,526)	(85,043,872)
Net Position of Governmental Activities		**$ 78,062,837**	**$ 71,960,708**

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2016	Total Governmental Funds 2015
Revenues:						
Taxes:						
Property taxes	$ 19,907,175	$ 10,404,308	$ -	$ -	$ 30,311,483	$ 28,818,837
Local option sales taxes	9,562,362	6,902,744	-	-	16,465,106	16,182,867
Other taxes	3,823,458	58,088	-	-	3,881,546	4,017,698
Licenses, permits and fees	29,842	234,088	-	-	263,930	327,361
Intergovernmental -						
Unrestricted:						
State taxes	3,188,399	102,000	-	754,663	4,045,062	3,696,406
Restricted:						
Federal grants	-	-	-	2,291,420	2,291,420	2,005,768
State grants	-	335,418	-	48,177	383,595	428,100
U.S.D.A. revenues	-	-	-	1,029,764	1,029,764	1,036,561
Other state revenues	-	19,617,951	-	-	19,617,951	19,203,712
Other federal revenues	-	45,519	-	-	45,519	29,552
Other local revenues	-	-	-	173,913	173,913	309,998
Charges for services	954,404	532,931	-	2,314,162	3,801,497	4,187,186
Fines, forfeitures and costs	51,440	-	-	5,676	57,116	60,113
Investment income	43,947	16,830	207,162	-	267,939	256,400
Miscellaneous revenue	155,496	310,899	1,097,103	575,826	2,139,324	2,183,150
Total Revenues	37,716,523	38,560,776	1,304,265	7,193,601	84,775,165	82,743,709
Expenditures:						
Current:						
General government	4,485,164	-	-	401,956	4,887,120	3,700,705
Public safety	9,051,777	-	-	69,361	9,121,138	8,589,950
Public works	5,975,873	-	-	801,358	6,777,231	6,292,611
Culture and recreation	1,491,658	-	-	20,527	1,512,185	2,363,093
Economic Development	-	-	-	53,618	53,618	8,954
Nondepartmental costs	1,534,431	-	-	-	1,534,431	1,292,612
Education	-	46,706,659	-	4,885,214	51,591,873	50,269,984

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2016	Total Governmental Funds 2015
Expenditures (Continued):						
Debt Service:						
Principal retirement	-	-	3,203,099	-	3,203,099	3,138,099
Interest and fiscal fees	-	-	2,190,162	-	2,190,162	2,119,402
Payments under Capital lease	113,133	-	8,911,003	-	9,024,136	1,254,316
Capital Outlay	78,845	1,743,592	-	2,847,722	4,670,159	2,691,341
Total Expenditures	22,730,881	48,450,251	14,304,264	9,079,756	94,565,152	81,721,067
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	14,985,642	(9,889,475)	(12,999,999)	(1,886,155)	(9,789,987)	1,022,642
Other Financing Sources (Uses):						
Transfers In	1,570,642	9,222,500	5,201,284	2,097,257	18,091,683	16,965,008
Transfers Out	(16,771,041)	-	-	-	(16,771,041)	(15,772,694)
Proceeds from refunding debt	-	-	4,547,000	-	4,547,000	9,855,000
Bond Premium	-	-	174,356	-	174,356	143,315
Payments to refunding agent	-	-	(4,704,198)	-	(4,704,198)	(9,830,000)
Total Other Financing Sources (Uses)	(15,200,399)	9,222,500	5,218,442	2,097,257	1,337,800	1,360,629
Net Change in Fund Balance	(214,757)	(666,975)	(7,781,557)	211,102	(8,452,187)	2,383,271
Fund Balance, July 1st	8,720,364	7,940,344	8,025,226	4,784,711	29,470,645	27,093,631
Change in Reserve for Inventory	-	-	-	(15,478)	(15,478)	(6,257)
Fund Balance, June 30th	**$ 8,505,607**	**$ 7,273,369**	**$ 243,669**	**$ 4,980,335**	**$ 21,002,980**	**$ 29,470,645**

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

		2016	2015
Net change in fund balances – total governmental funds		$ (8,467,665)	$ 2,377,014
Amounts reported for the governmental activities in the statement of activities are different because:			
(1) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Change in accrued interest payable	$ 5,306		
Change in accrual for compensated absences	(93,299)		
Change in accrual for post-employment benefit obligations	(892,966)		
Change in net pension liability/asset	(1,629,115)		
Change in deferred outflows related to pensions	317,131		
Change in deferred inflows related to pensions	4,701,203	2,408,260	2,770,415
(2) Certain revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		(31,977)	(19,919)
(3) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		826,379	(1,168,046)
(4) Governmental funds only report the disposal or deletion of capital assets to the extent proceeds are received from the disposal or deletion. In the statement of activities, gains and losses are recorded for disposals or deletions based on both the proceeds and the net book value of the disposed or deleted capital assets. This is the amount by which the proceeds exceeded the deleted capital assets in the current period.		84,798	48,583
(5) Governmental Funds report proceeds received from the sale of capital assets as revenues. In the statement of activities, only the gain or loss on the sale of capital assets is recorded. This is the amount of proceeds from the sale of capital assets.		(212,451)	(89,181)
(6) Bond premium is reported as other financing sources in the governmental funds, but is capitalized and amortized in the statement of net position. This is the amount of bond premium amortization.		156,336	145,824
(7) Debt refunding losses are recorded in the governmental funds when paid, but are capitalized and amortized in the statement of net position. This is the amount by which current- year debt refunding losses exceed current-year amortization.		(105,372)	(188,568)
(8) The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which the retirement of long-term debt exceeded debt proceeds in the current period.		11,601,309	3,630,931
(9) The net revenues (expenditures) of certain activities of internal service funds is reported with governmental activities.		(157,488)	404,149
Changes in net position of governmental activities		**$ 6,102,129**	**$ 7,911,202**

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Revenues:					
Taxes:					
Property taxes	$ 19,300,000	$ 19,308,440	$ 19,629,585	$ 321,145	$ 18,362,065
Interest and penalties on property tax	280,000	277,590	277,590	-	286,302
In lieu of taxes - TVA	305,000	323,135	323,135	-	319,147
In lieu of taxes – Other	414,366	541,785	541,785	-	582,916
Local sales tax	9,173,000	9,562,362	9,562,362	-	9,015,287
City beer tax	1,170,000	1,227,646	1,228,988	1,342	1,184,674
City liquor tax	295,000	341,840	340,498	(1,342)	304,636
Gross receipts tax	600,000	776,948	776,948	-	804,893
Franchise taxes	628,000	673,900	600,358	(73,542)	675,658
Hotel/Motel taxes	10,000	11,746	11,746	-	11,348
	32,175,366	33,045,392	33,292,995	247,603	31,546,926
Licenses, Permits, and Fees:	28,000	29,842	29,842	-	27,851
Intergovernmental:					
State mixed drink tax	85,000	102,000	102,000	-	93,860
State beer tax	13,000	13,445	13,445	-	13,170
State income tax	398,000	614,498	614,498	-	472,118
State sales tax	2,110,000	2,217,864	2,217,864	-	2,076,018
State transportation tax	55,000	55,000	56,021	1,021	56,187
State excise tax	55,000	71,517	71,517	-	65,338
State street maintenance contract	70,000	113,054	113,054	-	97,869
	2,786,000	3,187,378	3,188,399	1,021	2,874,560
Charges for Services:					
Code enforcement services	200,000	259,422	259,422	-	271,377
Planning services	11,000	12,051	12,051	-	12,958
Public Works sales	50,000	76,204	76,204	-	80,052
Engineering services	15,000	21,101	21,101	-	19,406
Animal control services	12,350	12,350	14,187	1,837	14,423
Solid waste management services	379,000	379,000	404,991	25,991	382,104
Clerk's fees	5,000	10,933	10,933	-	9,315
Rent	39,800	41,607	98,175	56,568	97,333
Other services	10,000	9,131	57,340	48,209	43,959
	722,150	821,799	954,404	132,605	930,927
Fines, Forfeitures and Court Costs:					
Fines and Costs	53,000	51,045	51,045	-	52,310
Parking	300	395	395	-	285
	53,300	51,440	51,440	-	52,595
Investment Income	25,000	31,328	43,947	12,619	51,006
Other Revenues	25,000	142,863	155,496	12,633	185,692
Total Revenues	35,814,816	37,310,042	37,716,523	406,481	35,669,557

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures:					
General Government:					
Administration:					
Salaries and related costs	471,890	482,936	482,807	129	438,132
Advertising and publications	4,075	3,100	2,530	570	1,384
Communications	1,400	1,400	1,323	77	1,759
Membership	1,036	1,036	588	448	1,536
Vehicle maintenance	2,292	2,292	1,561	731	1,836
Printing and duplication	3,150	3,264	2,691	573	2,155
Training	2,911	4,131	3,176	955	380
Travel	1,558	2,558	1,729	829	704
Professional services	10,290	300	300	-	3,820
Computer operations	2,223	1,451	1,451	-	2,740
Motor fuels and lubricants	2,000	1,140	326	814	1,091
Office supplies	900	900	421	479	477
Other supplies	250	102	-	102	-
Insurance	1,576	1,724	1,724	-	1,540
Miscellaneous	5,062	4,279	3,737	542	3,405
	510,613	510,613	504,364	6,249	460,959
Development Services:					
Salaries and related costs	854,360	839,332	839,332	-	706,103
Advertising and publications	3,500	6,087	6,087	-	4,266
Communications	4,759	4,033	4,033	-	3,488
Memberships	2,912	2,570	2,570	-	2,324
Vehicle maintenance	6,224	7,062	7,062	-	5,839
Printing and duplication	2,400	2,042	1,672	370	1,197
Training	4,660	2,831	2,831	-	2,184
Travel	4,222	3,490	3,490	-	1,803
Professional services	32,396	29,455	29,455	-	39,422
Computer operations	2,781	3,043	3,043	-	6,634
Motor fuels and lubricants	4,500	4,500	2,435	2,065	3,540
Office supplies	1,150	1,050	914	136	1,017
Other supplies	1,674	1,674	791	883	2,873
Insurance	8,022	8,052	8,052	-	6,728
Environmental maintenance	6,000	1,040	1,040	-	1,200
Demolition of condemned buildings	15,000	10,645	-	10,645	17
Miscellaneous	16,359	7,561	6,666	895	6,103
	970,919	934,467	919,473	14,994	794,738
Judicial/Legal:					
Salaries and related costs	101,656	97,989	89,949	8,040	90,205
Legal services	82,460	89,861	89,861	-	85,378
Miscellaneous	14,788	11,054	11,018	36	7,964
	198,904	198,904	190,828	8,076	183,547

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
General Government (Continued):					
Human Resources:					
Salaries and related costs	252,680	244,023	233,130	10,893	236,602
Advertising and publications	50	267	217	50	18
Communications	996	1,172	1,170	2	964
Membership	450	450	374	76	469
Vehicle maintenance	1,131	1,225	1,225	-	989
Printing and duplication	2,500	2,935	1,655	1,280	794
Training	1,925	1,925	1,114	811	1,423
Travel	2,225	2,225	1,516	709	802
Professional services	39,975	24,788	24,788	-	3,548
Safety programs	500	500	262	238	-
Computer operations	590	790	686	104	2,434
Motor fuels and lubricants	130	130	117	13	72
Office supplies	750	1,000	986	14	714
Other supplies	300	300	188	112	6
Miscellaneous	3,507	3,672	2,974	698	2,962
	307,709	285,402	270,402	15,000	251,797
Finance:					
Salaries and related costs	325,883	326,358	325,307	1,051	302,169
Communications	100	100	67	33	62
Membership	770	770	593	177	591
Postage	12,000	12,000	9,094	2,906	8,650
Printing and duplication	2,380	2,420	2,113	307	1,821
Training	1,460	1,460	1,290	170	200
Professional services	106,333	73,179	58,158	15,021	141,109
Computer operations	1,067	1,067	289	778	1,562
Bank charges	20,000	20,000	15,371	4,629	15,872
Office supplies	1,871	1,871	1,787	84	1,049
Miscellaneous	1,359	1,489	1,645	(156)	784
	473,223	440,714	415,714	25,000	473,869
Legislative:					
Salaries and related costs	14,856	24,611	24,575	36	1,938
Advertising and publications	2,050	1,517	1,517	-	1,837
Membership	13,400	11,963	11,963	-	11,963
Postage	200	4	4	-	14
Printing and duplication	1,200	1,150	1,150	-	789
Training	1,650	1,575	1,575	-	1,475
Travel	6,500	5,281	5,281	-	6,957
Election services	-	-	-	-	1,450

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
General Government (Continued):					
Legislative (Continued):					
Professional services	16,948	17,826	17,826	-	15,091
Community support	93,623	101,693	101,625	68	101,672
Industrial Development	855,946	2,024,979	2,015,083	9,896	1,036,898
Office supplies	700	786	786	-	555
Miscellaneous	5,865	2,998	2,998	-	7,995
	1,012,938	2,194,383	2,184,383	10,000	1,188,634
Total General Government	3,474,306	4,564,483	4,485,164	79,319	3,353,544
Public Safety:					
Police Department:					
Salaries and related costs	4,235,566	4,147,370	4,147,370	-	3,877,285
Advertising and publications	2,600	2,790	2,790	-	2,348
Communications	50,447	43,723	43,723	-	49,956
Membership	12,110	12,460	12,460	-	10,635
Auto licenses	840	257	257	-	343
Vehicle maintenance	161,104	178,795	178,795	-	151,859
Vehicle parts	55,800	32,320	32,320	-	41,387
Printing and duplication	8,400	7,016	7,016	-	9,020
Training	53,615	50,678	50,678	-	22,885
Travel	42,300	32,184	32,184	-	22,283
Medical and vet services	9,000	14,940	14,940	-	6,364
Professional services	78,116	135,526	135,526	-	50,458
Public relations	2,000	88	88	-	2,497
Safety programs	2,000	-	-	-	-
Crime prevention programs	5,000	1,932	1,932	-	3,986
Computer operations	83,419	96,137	96,137	-	147,263
Motor fuels and lubricants	160,000	77,304	77,304	-	108,932
Office supplies	6,500	3,590	3,590	-	5,230
Operating supplies	58,471	33,343	33,343	-	55,946
Other supplies	1,500	894	894	-	1,134
Uniforms	44,000	33,442	33,442	-	36,821
Emergency communications funding (911 services)	158,618	151,064	151,064	-	151,064
Insurance	68,423	75,508	75,508	-	59,230
Communications system	84,867	23,091	23,091	-	16,979
Miscellaneous	4,626	5,100	5,083	17	3,241
	5,389,322	5,159,552	5,159,535	17	4,837,146

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
Public Safety (Continued):					
Animal Control:					
Salaries and related costs	211,225	211,233	209,565	1,668	194,777
Memberships	1,000	500	235	265	480
Utilities	5,598	5,598	3,420	2,178	3,562
Communication	1,480	1,980	1,545	435	1,318
Repair and maintenance – Vehicles and equipment	5,439	4,593	4,456	137	4,195
Building maintenance	2,545	1,652	1,318	334	4,175
Travel	800	800	-	800	-
Office supplies	200	200	-	200	146
Medical services	11,000	11,000	9,810	1,190	10,142
Chemical, lab and medical supplies	400	593	593	-	244
Other supplies	5,908	7,408	5,466	1,942	5,976
Uniforms	1,200	1,200	-	1,200	792
Motor fuels and lubricants	5,000	5,000	2,607	2,393	3,464
Consumable tools	400	400	-	400	-
Insurance	4,223	4,261	4,261	-	3,377
Printing and duplication	1,000	1,000	468	532	134
Training	400	400	-	400	540
Other expenditures	2,392	2,392	561	1,831	565
	260,210	260,210	244,305	15,905	233,887
Fire Department:					
Salaries and related costs	3,313,125	3,250,190	3,246,279	3,911	3,057,071
Advertising and publications	1,000	1,301	1,300	1	872
Communications	11,290	13,683	13,683	-	13,142
Membership	5,871	5,871	4,795	1,076	5,934
Vehicle maintenance	81,271	82,580	82,580	-	72,712
Vehicle parts	3,250	3,250	2,003	1,247	739
Printing and duplication	3,600	3,600	3,024	576	3,438
Training	11,055	11,055	9,448	1,607	5,663
Travel	10,580	10,580	9,843	737	6,664
Medical and vet services	10,236	7,236	7,096	140	6,376
Professional services	15,745	15,745	14,376	1,369	12,166
Public relations	1,000	1,585	1,583	2	5,246
Fire safety programs	6,500	6,500	5,728	772	6,261
Computer operations	24,002	24,002	23,530	472	12,181
Motor fuels and lubricants	23,000	21,900	11,460	10,440	15,947
Office supplies	2,500	2,500	2,082	418	1,016
Operating supplies	39,835	36,484	32,713	3,771	30,766
Other supplies	2,000	2,335	2,285	50	2,298
Uniforms	22,500	24,150	24,147	3	21,912
Equipment rental	91,000	94,000	93,817	183	93,837

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
Public Safety (Continued):					
Fire Department (Continued):					
Emergency management	2,000	6,102	6,102	-	-
Insurance	42,646	46,594	46,594	-	37,475
Miscellaneous	4,621	3,821	3,469	352	2,698
	3,728,627	3,675,064	3,647,937	27,127	3,414,414
Total Public Safety	9,378,159	9,094,826	9,051,777	43,049	8,485,447
Public Works – Streets:					
Salaries and related costs	742,129	704,136	698,086	6,050	700,034
Communications	1,290	1,290	1,015	275	1,000
Membership	150	150	142	8	138
Auto licenses	60	170	137	33	87
Vehicle maintenance	97,482	121,464	121,464	-	103,029
Printing and duplication	525	525	305	220	328
Training	115	115	105	10	183
Medical and vet services	1,375	1,375	623	752	982
Asphalt filler	52,000	52,000	46,809	5,191	41,053
Concrete and cement	12,000	12,000	9,764	2,236	9,498
Crushed stone	1,000	1,000	661	339	1,092
Paint supplies	13,000	10,800	919	9,881	8,035
Shop supplies	23,500	22,435	14,474	7,961	18,837
Gravel and sand	1,000	1,000	-	1,000	550
Ice removal supplies	30,000	47,525	47,525	-	30,875
Other operating supplies	4,530	6,835	5,306	1,529	2,220
Small tools	2,500	2,300	1,978	322	2,398
Computer operations	100	100	31	69	142
Motor fuels and lubricants	55,000	31,184	25,336	5,848	37,895
Office supplies	230	430	357	73	155
Uniforms	4,850	4,850	3,575	1,275	5,193
Insurance	17,666	17,666	17,247	419	15,184
Miscellaneous	2,502	2,253	744	1,509	2,096
	1,063,004	1,041,603	996,603	45,000	981,004
Public Works – Grounds:					
Salaries and related costs	806,446	805,094	802,783	2,311	758,449
Advertising and publications	100	100	-	100	-
Communications	995	995	704	291	691
Membership	60	60	57	3	55
Vehicle licenses	90	90	-	90	87
Vehicle maintenance	83,162	84,514	84,514	-	75,030
Printing and duplication	575	575	334	241	360

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
Public Works (Continued):					
Public Works – Grounds (Continued):					
Training	375	375	370	5	397
Medical and vet services	1,415	1,415	1,030	385	922
Grounds maintenance	12,300	12,248	11,409	839	10,122
Operating supplies	5,585	5,612	4,491	1,121	5,463
Professional services	19,400	19,400	14,300	5,100	150
Small tools	3,000	3,000	1,323	1,677	1,458
Computer operations	100	100	-	100	142
Motor fuels and lubricants	30,000	30,000	17,171	12,829	23,313
Office supplies	200	200	166	34	169
Uniforms	4,785	4,785	4,156	629	4,004
Insurance	11,147	11,147	10,886	261	8,568
Miscellaneous	388	413	317	96	8,079
	980,123	980,123	954,011	26,112	897,459
Public Works – Solid Waste:					
Salaries and related costs	1,439,219	1,436,112	1,356,088	80,024	1,298,733
Publication of notices	600	600	161	439	137
Communication	1,655	1,775	1,332	443	1,605
Repair and maintenance – vehicles	262,700	296,981	296,028	953	283,072
Supplies	6,225	6,315	5,649	666	4,547
Motor fuels and lubricants	145,000	110,756	73,197	37,559	103,183
Repair parts – containers	500	500	-	500	-
Containers	169,400	169,395	169,395	-	79,081
Insurance	30,371	31,552	29,423	2,129	24,724
Vehicle licenses and titles	480	1,048	937	111	111
Professional services	-	454	454	-	2,256
Uniforms	12,100	12,136	9,117	3,019	6,547
Consumable tools	400	300	87	213	258
Other expenditures	6,741	7,467	4,348	3,119	2,623
Landfill fees	1,008,550	1,008,550	1,004,570	3,980	981,921
	3,083,941	3,083,941	2,950,786	133,155	2,788,798
Public Works – Street Lighting:					
Electricity	650,000	745,304	745,304	-	702,576
Public Works – Engineering:					
Salaries and related costs	318,058	319,330	313,911	5,419	298,082
Advertising and publications	1,000	1,000	769	231	609
Communications	1,740	1,740	1,337	403	1,105
Membership	1,390	1,390	1,257	133	1,389
Vehicle maintenance	3,425	3,425	2,259	1,166	3,584

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
Public Works (Continued):					
Public Works–Engineering (Continued):					
Printing and duplication	1,410	1,410	1,267	143	932
Training	305	305	208	97	75
Travel	297	297	(185)	482	35
Professional services	13,315	7,942	3,556	4,386	8,918
Computer operations	1,080	1,080	704	376	212
Motor fuels and lubricants	2,200	2,200	1,165	1,035	1,512
Office supplies	500	500	431	69	393
Traffic light supplies	15,000	-	-	-	7,314
Insurance	2,027	2,237	2,237	-	2,011
Miscellaneous	1,312	1,313	253	1,060	617
	363,059	344,169	329,169	15,000	326,788
Total Public Works	6,140,127	6,195,140	5,975,873	219,267	5,696,625
Culture and Recreation:					
Parks and Recreation:					
Grounds maintenance	10,000	-	-	-	-
Utilities	32,445	32,445	32,445	-	32,445
Recreation and Parks Commission funding	701,927	691,927	691,927	-	673,515
	744,372	724,372	724,372	-	705,960
Library:					
Blount County Library funding	719,616	767,286	767,286	-	719,616
Total Culture and Recreation	1,463,988	1,491,658	1,491,658	-	1,425,576
Non-Departmental Costs:					
Employee relations	2,089	1,883	1,883	-	1,312
Liability insurance	129,614	116,673	116,673	-	108,811
Property insurance	81,198	73,020	73,020	-	66,682
Fiber Optic maintenance	4,467	6,170	6,170	-	2,666
IT services	256,016	256,016	256,016	-	269,822
Facilities operations	1,080,669	1,080,669	1,080,669	-	843,319
	1,554,053	1,534,431	1,534,431	-	1,292,612
Debt Service:					
Payments under capital lease	-	113,133	113,133	-	113,133

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
Expenditures (Continued):					
Capital Outlay:					
Public safety	82,500	82,500	78,845	3,655	96,675
Public works	5,000	5,000	-	5,000	-
	87,500	87,500	78,845	8,655	96,675
Total Expenditures	22,098,133	23,081,171	22,730,881	350,290	20,463,612
Excess Revenues Over Expenditures	13,716,683	14,228,871	14,985,642	756,771	15,205,945
Other Financing Sources (Uses):					
Transfers in – Payments in Lieu of taxes	1,445,000	1,570,642	1,570,642	-	1,492,314
Transfers Out	(16,058,466)	(16,806,763)	(16,771,041)	35,722	(15,772,694)
Total Other Financing Sources (Uses)	(14,613,466)	(15,236,121)	(15,200,399)	35,722	(14,280,380)
Net Change in Fund Balance	(896,783)	(1,007,250)	(214,757)	792,493	925,565
Fund Balance, July 1st	8,720,364	8,720,364	8,720,364	-	7,794,799
Fund Balance, June 30th	$ 7,823,581	$ 7,713,114	$ 8,505,607	$ 792,493	$ 8,720,364

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
GENERAL PURPOSE SCHOOL FUND – SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals 2015
	Original	Final			
Revenues:					
Taxes	$ 16,536,136	$ 16,960,295	$ 17,365,140	$ 404,845	$ 17,472,476
Licenses, permits and fees	187,750	187,750	234,088	46,338	242,678
Charges for services	441,500	441,500	532,931	91,431	501,196
Intergovernmental	20,024,875	20,063,960	20,100,889	36,929	19,670,117
Investment income	5,000	5,000	16,830	11,830	6,876
Miscellaneous revenues	32,500	32,500	310,898	278,598	54,872
Total Revenues	37,227,761	37,691,005	38,560,776	869,771	37,948,215
Expenditures:					
Instruction:					
Regular instruction program	26,522,330	27,018,057	27,012,720	5,337	26,102,520
Special education program	5,123,655	5,013,453	5,027,219	(13,766)	4,687,975
Vocational education program	760,341	683,907	680,067	3,840	698,527
Student body education program	15,000	5,200	5,182	18	13,839
Alternative school program	510,441	455,855	451,902	3,953	432,116
Early childhood education program	239,793	228,725	225,603	3,122	243,086
Support Services:					
Student support – health services	135,899	107,168	106,550	618	131,578
Student support – guidance services	1,127,279	1,109,772	1,108,085	1,687	1,076,496
Regular instruction support	1,783,233	1,864,072	1,860,396	3,676	1,683,988
Special education support	573,242	646,766	626,332	20,434	596,941
Board of Education	881,189	858,416	852,332	6,084	773,298
Office of the Superintendent of Schools	390,693	386,773	385,594	1,179	377,261
Office of the Principal - School Administration	3,030,124	3,042,199	3,039,851	2,348	2,877,805
Fiscal services	224,313	249,487	249,061	426	211,479
Human Resources (Personnel)	175,267	189,152	188,581	571	199,901
Operation of plant	2,752,817	2,556,602	2,553,807	2,795	2,681,014
Maintenance of plant	1,177,713	1,008,022	1,003,178	4,844	1,130,755
Transportation	1,055,285	1,003,631	996,986	6,645	1,034,118
Other Support Services	208,758	222,893	222,716	177	208,258
Community services	139,934	110,501	110,498	3	131,779
Capital Outlay:					
Regular capital outlay	650,000	1,743,700	1,743,591	109	864,953
Total Expenditures	47,477,306	48,504,351	48,450,251	54,100	46,157,687
Excess (Deficiency) of Revenues Over Expenditures	(10,249,545)	(10,813,346)	(9,889,475)	923,871	(8,209,472)
Other Financing Sources (Uses):					
Transfers In	9,222,500	9,222,500	9,222,500	-	9,222,500
Net Change in Fund Balance	(1,027,045)	(1,590,846)	(666,975)	923,871	1,013,028
Fund Balance, July 1st	7,940,344	7,940,344	7,940,344	-	6,927,316
Fund Balance, June 30th	$ 6,913,299	$ 6,349,498	$ 7,273,369	$ 923,871	$ 7,940,344

See accompanying independent auditors report and notes.

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds						
	Major Funds		Non-Major Fund				
ASSETS:	Electric Department	Water and Sewer Department	Stormwater Utility Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2015	Governmental Activities - Internal Service Funds 2015
Current Assets:							
Cash	$ 1,895,017	$ 518,205	$ 481,014	$ 2,894,236	$ 437,810	$ 2,060,962	$ 169,793
Investments	4,925,973	8,632,868	-	13,558,841	-	15,351,468	-
Receivables:							
Accounts (net of allowance for uncollectibles)	2,963,589	424,770	40,345	3,428,704	-	4,177,420	245,194
Rentals	165,811	-	-	165,811	-	166,333	-
Due from other funds	156,027	20,606	44,367	221,000	2,824,452	335,341	3,182,271
Other	-	531,526	-	531,526	114,866	585,565	-
Inventory of materials and supplies	1,234,994	545,391	-	1,780,385	321,542	1,648,553	386,554
Total Current Assets	11,341,411	10,673,366	565,726	22,580,503	3,698,670	24,325,642	3,983,812
Capital Assets:							
Plant in service	73,009,676	133,495,731	3,257,721	209,763,128	-	200,505,022	-
Utility Plant acquisition costs	39,201	123,569	-	162,770	-	162,770	-
Construction in progress	1,367,817	1,179,507	-	2,547,324	-	3,563,556	-
Building and improvements	-	-	-	-	873,125	-	873,125
Data processing equipment	-	-	-	-	271,732	-	254,897
Software	-	-	-	-	269,785	-	269,785
Fleet maintenance equipment	-	-	-	-	242,375	-	215,934
	74,416,694	134,798,807	3,257,721	212,473,222	1,657,017	204,231,348	1,613,741
Less: Accumulated depreciation and amortization	31,105,093	41,656,156	423,507	73,184,756	1,317,392	68,155,914	1,262,373
Net Capital Assets	43,311,601	93,142,651	2,834,214	139,288,466	339,625	136,075,434	351,368
Other Noncurrent Assets:							
Other noncurrent assets	-	146,435	-	146,435	-	177,811	-
Regulatory charges	72,021	1,053,927	-	1,125,948	-	1,344,077	-
Receivables:							
Energy Service Loans	756,579	-	-	756,579	-	818,226	-
Total Other Noncurrent Assets	828,600	1,200,362	-	2,028,962	-	2,340,114	-
Total Noncurrent Assets	44,140,201	94,343,013	2,834,214	141,317,428	339,625	138,415,548	351,368
Total Assets	55,481,612	105,016,379	3,399,940	163,897,931	4,038,295	162,741,190	4,335,180
DEFERRED OUTFLOWS OF RESOURCES:							
Pension contributions after measurement date	321,950	273,112	63,138	658,200	-	508,948	-
Deferred outflows on refunding	92,718	110,475	-	203,193	-	-	-
Total Deferred Outflows of Resources	414,668	383,587	63,138	861,393	-	508,948	-

See accompanying independent auditor's report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (Continued)
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds						
	Major Funds		Non-Major Fund				
LIABILITIES:	Electric Department	Water and Sewer Department	Stormwater Utility Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2015	Governmental Activities - Internal Service Funds 2015
Current Liabilities (Payable from Current Assets):							
Accounts payable	6,077,828	152,608	83,137	6,313,573	111,262	6,898,733	166,424
Due to other funds	187,978	175,371	3,676	367,025	526,311	752,231	610,546
Accrued compensated absences	278,299	263,853	50,533	592,685	-	575,383	-
Customer deposits	1,452,841	236,416	-	1,689,257	-	1,573,867	-
Other accrued liabilities	26,449	-	-	26,449	-	30,648	-
Accrued interest payable	-	115,754	-	115,754	-	123,154	-
Current portion of long-term debt	746,000	1,563,268	-	2,309,268	-	2,167,144	-
Total Current Liabilities (Payable from Current Assets)	8,769,395	2,507,270	137,346	11,414,011	637,573	12,121,160	776,970
Noncurrent Liabilities:							
Bonds payable	4,174,338	42,345,159	-	46,519,497	-	48,568,444	-
Loan Payable – Tennessee Revolving Loan Fund	-	1,709,376	-	1,709,376	-	1,813,644	-
Accrued compensated absences	551,100	467,317	87,440	1,105,857	-	1,088,617	-
Advances from TVA for energy service loans	756,579	-	-	756,579	-	818,226	-
Accrued post-employment benefit obligations	581,092	652,823	103,826	1,337,741	-	1,177,290	-
Net pension liability	467,584	295,939	71,700	835,223	-	307,612	-
Refundable deposits	192,600	-	-	192,600	-	133,800	-
Total Noncurrent Liabilities	6,723,293	45,470,614	262,966	52,456,873	-	53,907,633	-
Total Liabilities	15,492,688	47,977,884	400,312	63,870,884	637,573	66,028,793	776,970
DEFERRED INFLOWS OF RESOURCES:							
Pension changes in experience	116,218	86,242	21,704	224,164	-	211,212	-
Pension changes in investment earnings	107,765	51,067	20,186	179,018	-	1,214,391	-
Deferred revenue	-	-	-	-	-	122,005	-
Total Deferred Inflows of Resources	223,983	137,309	41,890	403,182	-	1,547,608	-
NET POSITION:							
Net investment in Capital Assets	38,391,263	47,524,848	2,834,214	88,750,325	339,625	83,526,202	351,368
Unrestricted position	1,788,346	9,759,925	186,662	11,734,933	3,061,097	12,147,535	3,206,842
Total Net Position	$ 40,179,609	$ 57,284,773	$ 3,020,876	$ 100,485,258	$ 3,400,722	$ 95,673,737	$ 3,558,210

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities –Enterprise Funds						
	Major Funds		Non-Major Fund				
	Electric Department	Water and Sewer Department	Stormwater Utility Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2015	Governmental Activities - Internal Service Funds 2015
OPERATING REVENUES:							
Charges for services	$ 64,746,247	$ 13,735,684	$ 1,389,704	$ 79,871,635	$ 14,399,513	$ 79,669,534	$ 13,556,990
Customers' forfeited discounts	375,361	95,145	6,497	477,003	-	477,829	-
Rent from property	143,471	118,434	-	261,905	-	282,938	-
Other revenue	486,759	1,262,930	-	1,749,689	6,351	1,838,721	100
Total Operating Revenues	65,751,838	15,212,193	1,396,201	82,360,232	14,405,864	82,269,022	13,557,090
OPERATING AND MAINTENANCE EXPENSE:							
Purchased power	54,708,949	-	-	54,708,949	-	55,490,463	-
Electric operations	2,915,407	-	-	2,915,407	-	2,633,358	-
Water and sewer operations	-	4,924,343	-	4,924,343	-	5,015,900	-
Stormwater operations	-	-	970,313	970,313	-	859,013	-
Customer accounts expense	705,287	1,052,583	-	1,757,870	-	1,702,223	-
Administrative and general expense	1,950,305	1,529,770	83,699	3,563,774	-	3,445,437	-
Sales expense	110,779	-	-	110,779	-	133,496	-
Depreciation and amortization of capital assets	2,333,126	3,348,567	125,264	5,806,957	55,019	5,613,183	106,667
Taxes	507,210	-	-	507,210	-	474,515	-
Computer information systems operating expense	-	-	-	-	727,629	-	717,614
Fleet maintenance operating expenses	-	-	-	-	675,282	-	592,907
Facilities operating and maintenance expenses	-	-	-	-	1,664,416	-	1,371,814
Self-insurance operating expenses	-	-	-	-	11,441,006	-	10,363,939
Total Operating and Maintenance Expenses	63,231,063	10,855,263	1,179,276	75,265,602	14,563,352	75,367,588	13,152,941
OPERATING INCOME (LOSS)	2,520,775	4,356,930	216,925	7,094,630	(157,488)	6,901,434	404,149
NON-OPERATING REVENUES (EXPENSES):							
Interest earned	14,766	21,782	-	36,548	-	14,813	-
Grant revenue	121,903	-	-	121,903	-	-	-
Amortization	(57,758)	(193,284)	-	(251,042)	-	(165,555)	-
Rent from non-utility property	8,400	-	-	8,400	-	8,400	-
Gain (Loss) on retirement of capital assets	-	75,493	-	75,493	-	69,101	-
Debt issue expense	(36,120)	(46,547)	-	(82,667)	-	-	-
Interest expense	(211,363)	(2,012,161)	-	(2,223,524)	-	(2,314,914)	-
Total Non-Operating Revenues (Expenses)	(160,172)	(2,154,717)	-	(2,314,889)	-	(2,388,155)	-
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,360,603	2,202,213	216,925	4,779,741	(157,488)	4,513,279	404,149
CONTRIBUTIONS AND TRANSFERS:							
Capital Contributions	-	1,352,422	-	1,352,422	-	541,280	-
Transfers in	-	-	250,000	250,000	124,035	300,000	-
Transfers out	-	-	-	-	(124,035)	-	-
Payments In Lieu of Taxes	(1,075,684)	(494,958)	-	(1,570,642)	-	(1,492,314)	-
CHANGE IN NET POSITION	1,284,919	3,059,677	466,925	4,811,521	(157,488)	3,862,245	404,149
NET POSITION, July 1st	38,894,690	54,225,096	2,553,951	95,673,737	3,558,210	93,537,806	3,154,061
Restatement – See note 1 (S)	-	-	-	-	-	(1,726,314)	-
NET POSITION, June 30th	**$ 40,179,609**	**$ 57,284,773**	**$ 3,020,876**	**$ 100,485,258**	**$ 3,400,722**	**$ 95,673,737**	**$ 3,558,210**

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities –Enterprise Funds						
	Major Funds		Non-Major Fund				
	Electric Department	Water and Sewer Department	Stormwater Utility Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2015	Governmental Activities - Internal Service Funds 2015
CASH FLOWS FROM OPERATING ACTIVITIES:							
Collections from customers	$ 66,464,641	$ 15,296,126	$ 1,396,127	$ 83,156,894	$ 1,895,735	$ 82,259,059	$ 1,445,724
Receipts from other funds	-	218,086	-	218,086	12,644,888	630,098	12,117,775
Payments to other funds	(270,737)	-	(218,214)	(488,951)	-	(118,944)	-
Payments to employees	(2,856,926)	(2,852,619)	(645,461)	(6,355,006)	(738,533)	(6,140,133)	(708,200)
Payments to other suppliers of goods and services	(58,405,265)	(4,982,772)	(378,655)	(63,766,692)	(2,342,410)	(63,176,015)	(1,978,372)
Taxes	(507,210)	-	-	(507,210)	-	(474,515)	-
Payment for settlement of claims and administrative expenses	-	-	-	-	(11,459,540)	-	(10,489,276)
Net Cash Flows Provided By) (Used in) Operating Activities	4,424,503	7,678,821	153,797	12,257,121	140	12,979,550	387,651
CASH FLOWS FROM - NONCAPITAL FINANCING ACTIVITIES:							
Receipts from other funds	-	-	250,000	250,000	811,759	300,000	433,600
Grants received	121,903	-	-	121,903	-	-	-
Payments to other funds	(1,075,684)	(494,958)	-	(1,570,642)	(500,606)	(1,492,314)	(651,458)
Net Cash Provided By (Used In) NonCapital Financing Activities	(953,781)	(494,958)	250,000	(1,198,739)	311,153	(1,192,314)	(217,858)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of capital assets	(3,693,332)	(5,114,635)	(228,300)	(9,036,267)	(43,276)	(8,223,799)	-
Utility Plant removal costs, net of salvage	141,174	(124,893)	-	16,281	-	(72,059)	-
Proceeds from sale of capital assets	-	75,493	-	75,493	-	69,101	-
Loans repayments	-	(102,144)	-	(102,144)	-	(100,068)	-
Bond repayments	(3,108,104)	(4,205,850)	-	(7,313,954)	-	(1,990,000)	-
Bond proceeds	2,369,224	2,892,397	-	5,261,621	-	-	-
Debt issue costs	(36,120)	(46,547)	-	(82,667)	-	-	-
Interest paid	(223,662)	(2,068,606)	-	(2,292,268)	-	(2,378,044)	-
Refundable deposits	58,800	-	-	58,800	-	(43,800)	-
Energy Service advances repaid to TVA	(171,693)	-	-	(171,693)	-	(183,178)	-
Energy Service advances from TVA	110,046	-	-	110,046	-	239,093	-
Energy Service loans to customers	(110,046)	-	-	(110,046)	-	(239,093)	-
Energy Service loans collected from customers	171,693	-	-	171,693	-	183,178	-
Capital contributions	-	1,352,422	-	1,352,422	-	541,280	-
Net Cash Flows Provided By (Used In) Capital and Related Financing Activities	(4,492,020)	(7,342,363)	(228,300)	(12,062,683)	(43,276)	(12,197,389)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	14,766	21,782	-	36,548	-	14,813	-
Rent from investment property	8,400	-	-	8,400	-	8,400	-
Net Cash Flows Provided By (Used In) Investing Activities	23,166	21,782	-	44,948	-	23,213	-
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(998,132)	(136,718)	175,497	(959,353)	268,017	(386,940)	169,793
CASH & CASH EQUIVALENTS– July 1st	7,819,122	9,287,791	305,517	17,412,430	169,793	17,799,370	-
CASH AND CASH EQUIVALENTS – June 30th	$ 6,820,990	$ 9,151,073	$ 481,014	$ 16,453,077	$ 437,810	$ 17,412,430	$ 169,793

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities –Enterprise Funds						
	Major Funds		Non-Major Fund				
	Electric Department	Water and Sewer Department	Stormwater Utility Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2015	Governmental Activities - Internal Service Funds 2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	$ 2,520,775	$ 4,356,930	$ 216,925	$ 7,094,630	$ (157,488)	$ 6,901,434	$ 404,149
Adjustments to reconcile operating income to net cash provided by (used) in operating activities:							
Add (deduct) non-cash items:							
Depreciation	2,333,123	3,348,567	125,264	5,806,954	42,107	5,613,183	93,755
Amortization	-	-	-	-	12,912	-	12,912
Changes in assets and liabilities:							
Accounts receivable	611,671	15,114	(74)	626,711	92,759	(49,719)	(132,696)
Pole rentals receivable	522	-	-	522	-	3,400	-
Other receivables	-	54,039	-	54,039	-	19,205	-
Inventories	(139,699)	7,867	-	(131,832)	65,012	(22,353)	(50,250)
Other current assets	-	-	-	-	-	22,762	-
Accounts payable	(467,848)	(184,166)	66,854	(585,160)	(55,162)	119,988	85,227
Cash overdraft	-	-	-	-	-	-	(29,813)
Accrued compensated absences	(15,822)	38,536	11,828	34,542	-	24,486	-
Accrued post-employment benefit obligation	70,917	76,515	13,019	160,451	-	126,025	-
Net pension obligation/deferrals	(314,810)	(267,447)	(61,805)	(644,062)	-	(502,047)	-
Other accrued liabilities	(4,199)	-	-	(4,199)	-	133,686	-
Customer deposits	100,610	14,780	-	115,390	-	78,346	-
Due from other funds	(14,942)	173,650	(44,367)	114,341	-	195,686	4,367
Due to other funds	(255,795)	44,436	(173,847)	(385,206)	-	315,468	-
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**$ 4,424,503**	**$ 7,678,821**	**$ 153,797**	**$ 12,257,121**	**$ 140**	**$ 12,979,550**	**$ 387,651**
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION							
Current Assets:							
Cash	$ 1,895,017	$ 518,205	$ 481,014	$ 2,894,236	$ 437,810	$ 2,060,962	$ 169,793
Investments	4,925,973	8,632,868	-	13,558,841	-	15,351,468	-
Cash and Cash Equivalents – June 30th	$ 6,820,990	$ 9,151,073	$ 481,014	$ 16,453,077	$ 437,810	$ 17,412,430	$ 169,793

Accounting Policy Note: The City considers all highly liquid investments with original maturities of three (3) months or less as cash equivalents. At June 30, 2016 and 2015, the Electric Department had investments of $4,925,973 and $6,640,382, respectively, considered to be cash equivalents. At June 30, 2016 and 2015, the Water and Sewer Department had investments of $8,632,868 and $8,711,086 respectively, considered to be cash equivalents.

See accompanying independent auditors report and notes.

CITY OF MARYVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

(A) FINANCIAL REPORTING ENTITY:

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

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

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

a. Separately elected governing body,

b. Separate legal standing through legislation authorizing its creation,

c. Fiscally independent of other state and local governments,

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

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

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

The basic financial statements include both government-wide (based on the City as a whole and its component units, if any) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(C) BASIS OF PRESENTATION:

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

The following categories are used by the City:

Governmental Fund Types

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

Governmental Funds include the following fund types:

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION (Continued):

Proprietary Fund Types

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

Proprietary funds include the following fund types:

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

The following enterprise funds are used by the City:

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

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

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

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

The following internal service funds are used by the City:

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION (Continued):

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

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

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

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(E) BUDGETS AND BUDGETARY ACCOUNTING:

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

1. At least forty-five (45) days before the beginning of the budgetary fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. The legal level of budgetary control is at the department level.

2. Public hearing is conducted by the City to obtain taxpayer comments.

3. Prior to July 1st, the budget is legally enacted through passage of an ordinance on two separate readings.

4. The City Manager is authorized to transfer appropriations between any program or line item within a department without the approval of the City Council. However, any revisions that alter the total expenditures of any department, and all other budget amendments, must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Fund. Formal budgetary integration is employed for the Debt Service Fund even though effective budgetary control is additionally achieved through general obligation bond indenture provisions. Because Capital Projects Funds are project-oriented and may extend over two (2) or more fiscal years, the recording of an annual budget is not necessary. Budgeted appropriations lapse at year-end.

6. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted (or as subsequently amended) by the City Council on June 18, 2015.

Budget amendments were adopted for the following funds:

1. General Fund – $1,620,868 increase in revenues/transfers in and $1,731,335 increase in expenditures/transfers out.
2. General Purpose School Fund - $1,027,045 increase in both revenues and expenditures.
3. Federal Projects Fund – $51,697 increase in both revenues and expenditures.
4. Debt Service Fund - $4,721,357 increase in revenues and $4,822,813 increase in expenditures.
5. GIS Fund - $30,854 decrease in revenues and $25,666 increase in expenditures.
6. Industrial Development Fund - $143,828 increase in expenditures.
7. Continuing Care Program Fund - $76,977 increase in revenues and expenditures.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) UNBILLED ACCOUNTS RECEIVABLE:

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

For the Electric Department at June 30, 2016, unrecorded unbilled revenue was estimated to be $3,101,473.

For the Water and Sewer Department at June 30, 2016, unrecorded unbilled revenue was estimated to be $572,841.

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

(G) CASH AND INVESTMENTS:

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

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

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

Investments are reported at their fair value. Fair value is based upon quoted market prices. Realized gains and losses from the sale of investments are calculated separately from the change in the fair value. Realized gains (losses) in the current period include unrealized amounts from prior periods.

(H) RECEIVABLES:

All receivables are shown net of an allowance for uncollectibles.

(I) INVENTORIES AND PREPAID ITEMS:

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) CAPITAL ASSETS:

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks, and culverts) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

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

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

(K) COMPENSATED ABSENCES:

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

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

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

The City's vacation leave policy is as follows:

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

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

Completed Service	Vacation Leave Credit Per Month (Fire Department Shifts)
0 through 6 years	6.66 hours/month (8.333 hours/month)
7 through 14 years	10.00 hours/month (12.667 hours/month)
15 through 19 years	13.33 hours/month (16.667 hours/month)
20 or more years	16.67 hours/month (20.583 hours/month)

(Continued)

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) COMPENSATED ABSENCES (Continued):

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

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

Completed Service	Vacation Leave Credit Per Month (Fire Department Shifts)
0 through 6 years	6.66 hours/month (8.333 hours/month)
7 through 14 years	10.00 hours/month (12.667 hours/month)
15 or more years	13.33 hours/month (16.667 hours/month)

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

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

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

Schedule 3: Vacation Accrual Limits (Fire Department Shifts)

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

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

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

(L) LONG-TERM OBLIGATIONS:

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) LONG-TERM OBLIGATIONS (Continued):

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

(M) INTERFUND TRANSACTIONS:

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

(N) FUND BALANCE:

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

a. Nonspendable fund balances comprise those amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually are required to be maintained intact.

b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.

c. Committed fund balances comprise those amounts that are set aside for a specific purpose by the City's highest level of decision making authority (City Council) through its highest level of formal action (ordinance). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

d. Assigned fund balances consist of amounts that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making body. Assigned fund balances may not cause a deficit in unassigned fund balance.

e. Unassigned fund balances consist of excess funds that have not been classified in the previous four categories. The general fund is the only governmental fund that reports positive unassigned fund balance.

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

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

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

(O) STATEMENTS OF CASH FLOWS:

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(P) USE OF ESTIMATES:

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

(Q) COMPARATIVE TOTAL DATA:

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

(R) PENSIONS:

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

(S) IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS:

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

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

(b) During the year ended June 30, 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and for disclosures related to the fair value measurements.

(Continued)

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

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

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

Statement of Net Position

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position
Assets:					
Cash	$ 5,986,181	$ -	$ 437,810	$ -	$ 6,423,991
Investments	6,199,202	-	-	-	6,199,202
Pooled cash	1,096,148	-	-	-	1,096,148
Pooled investments	12,122,235	-	-	-	12,122,235
Receivables:					
Taxes, net	21,541,077	-	-	-	21,541,077
Accounts, net	491,073	-	114,866	-	605,939
Accrued interest	3,348	-	-	-	3,348
Internal balances	995,863	-	2,824,452	-	3,820,315
Due from other governments	2,238,485	-	-	-	2,238,485
Inventories	34,118	-	321,542	-	355,660
Net pension asset – school employees	-	4,059	-	-	4,059
Capital Assets, Net	-	135,149,201	339,625	-	135,488,826
Total Assets	50,707,730	135,153,260	4,038,295	-	189,899,285
Deferred Outflow of Resources					
Pension deferrals	-	4,309,545	-	-	4,309,545
Deferred charges on refunding	-	1,439,584	-	-	1,439,584
Total Deferred Outflows	-	5,749,129	-	-	5,749,129
Liabilities:					
Accounts payable	1,257,981	-	111,262	-	1,369,243
Accrued payroll	3,262,864	-	-	-	3,262,864
Accrued interest payable	-	141,284	-	-	141,284
Other liabilities	1,892,187	-	-	-	1,892,187
Internal balances	3,147,979	-	526,311	-	3,674,290
Net pension obligation – city employees	-	2,318,738	-	-	2,318,738
Accrued post-employment benefit obligations	-	5,201,027	-	-	5,201,027
Long-term debt	-	71,642,900	-	-	71,642,900
Compensated absences	-	1,736,626	-	-	1,736,626
Total Liabilities	9,561,011	81,040,575	637,573	-	91,239,159
Deferred Inflow of Resources:					
Deferred revenue	20,143,379	(473,169)	-	-	19,670,570
Pension deferrals	-	6,675,848	-	-	6,675,848
Total Deferred Inflow of Resources	20,143,739	6,202,679	-	-	26,346,418
Net Position	$ 21,002,980	$ 53,659,135	$ 3,400,722	$ -	$ 78,062,837

(Continued)

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

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

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

Cost of capital assets	$ 200,197,308
Accumulated depreciation	(65,048,107)
	$ 135,149,201

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

Bond refunding losses	$ 2,599,198
Accumulated amortization of bond refunding losses	(1,159,614)
	$ 1,439,584

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

Accrued post-employment benefit obligations	$ (5,201,027)
Compensated absences	(1,736,626)
Accrued interest payable	(141,284)
Bonds, capital improvement notes, loans and capital lease obligations (net of $902,871 accumulated amortization of bond/capital lease obligations premium)	(71,642,900)
	$ (78,721,837)

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

Deferred outflows related to pensions	$ 4,309,545
Deferred inflows related to pensions	(6,675,848)
	$ (2,366,303)

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

Deferred tax revenue (non-current)	$ 473,169

Net pension assets of the agent plan are not current financial resources and, therefore, are not reported in the governmental funds.

Net pension assets	$ 4,059

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

Net pension obligations	$ (2,318,738)

(Continued)

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

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

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

	$ 3,400,722

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

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

	Total Governmental Funds	Long-term Revenues, Expenditures (3)	Capital-Related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds (6)	Reclass-ifications	Statement of Activities
Revenues							
Taxes:							
Property taxes	$ 30,311,483	$ (31,977)	$ -	$ -	$ -	$ -	$ 30,279,506
Local option sales taxes	16,465,106	-	-	-	-	-	16,465,106
Other taxes	3,881,546	-	-	-	-	-	3,881,546
Licenses, permits and fees	263,930	-	-	-	-	-	263,930
Intergovernmental:							
State taxes	4,045,062	-	-	-	-	-	4,045,062
Federal grants	2,291,420	-	-	-	-	-	2,291,420
State grants	383,595	-	-	-	-	-	383,595
U.S.D.A. revenues	1,029,764	-	-	-	-	-	1,029,764
Other state revenues	19,617,951	-	-	-	-	-	19,617,951
Other federal revenues	45,519	-	-	-	-	-	45,519
Other local revenues	173,913	-	-	-	-	-	173,913
Charges for services	3,801,497	-	-	-	-	-	3,801,497
Fines, forfeitures, and costs	57,116	-	-	-	-	-	57,116
Investment income	267,939	-	-	-	-	-	267,939
Miscellaneous revenue	2,139,324	111,872	(228,403)	-	-	-	2,022,793
Gain (loss) on deletion of capital assets	-	-	84,798	-	-	-	84,798
Total Revenues	84,775,165	79,895	(143,605)	-	-	-	84,711,455

(Continued)

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

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

	Total Governmental Funds	Long-term Revenues, Expenditures (3)	Capital-Related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds (6)	Reclass-ifications	Statement of Activities
Expenditures/Expenses							
Current:							
General government	4,887,120	(63,176)	341,281	-	157,488	1,047,658	6,370,371
Public safety	9,121,138	(198,226)	625,672	-	-	-	9,548,584
Public works	6,777,231	(78,934)	1,194,799	-	-	(146,291)	7,746,805
Culture & Recreation	1,512,185	-	956,392	-	-	-	2,468,577
Economic development	53,618	(23,581)	-	-	-	-	30,037
Nondepartmental costs	1,534,431	-	-	-	-	(1,534,431)	-
Education	51,591,873	(1,911,687)	2,696,660	-	-	(1,353,912)	51,022,934
Debt Service:							
Principal retirement	3,203,099	-	-	(3,203,099)	-	-	-
Interest & fiscal fees	2,190,162	(5,306)	-	(50,964)	-	608,768	2,742,660
Payments under capital lease	9,024,136	-	-	(8,415,368)	-	(608,768)	-
Capital Outlay	4,670,159	-	(6,657,135)	-	-	1,986,976	-
Total Expenditures	94,565,152	(2,280,910)	(842,331)	(11,669,431)	157,488	-	79,929,968
Other Financing Sources (Uses)/Changes in Net Position							
Transfers In (Out) - In-lieu-of-tax payments	1,320,642	-	-	-	-	-	1,320,642
Proceeds from refunding debt	4,547,000	-	-	(4,547,000)	-	-	-
Payments to refunding agent	(4,704,198)	-	-	4,704,198	-	-	-
Bond premium	174,356	-	-	(174,356)	-	-	-
Change in reserve for inventory	(15,478)	15,478	-	-	-	-	-
Total Other Financing Sources (Uses)/Changes in Net Position	1,322,322	15,478	-	(17,158)	-	-	1,320,642
Net Change for the Year	$ (8,467,665)	$ 2,376,283	$ 698,726	$ 11,652,273	$ (157,488)	$ -	$ 6,102,129

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

Property tax	$ 31,977

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

Change in accrual for compensated absences	$ (93,299)
Change in accrued interest payable	5,306
Change in accrual for post-employment benefit obligations	(892,966)
Change in net pension liability/asset	(1,629,115)
Change in deferred outflows related to pensions	317,131
Change in deferred inflows related to pensions	4,701,203
	$ 2,408,260

(Continued)

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

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

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

Capital expenditures (net of capital expenditures recorded in Internal Service Funds)	$ 6,657,135
Depreciation expense (net of depreciation expense recorded in the Internal Service Funds)	5,830,756
Difference	$ 826,379

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

Deleted capital assets (net)	$ 127,653
Proceeds	(212,451)
Trade-in Allowance	-
Difference	$ (84,798)

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

Amortization of bond premium	$ 156,336

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

Principal payments made	$ 16,322,665

Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the governmental-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Long-term debt increased as follows:

General obligation bonds	$ 4,721,356

Amounts paid to debt refunding agents representing losses on debt refunding are reported as other financing uses in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. However, in the statement of activities these refunding losses are capitalized and amortized.

Amortization of debt refunding losses	$ 105,372

(6) Internal service funds are used by management to charge the costs of self-insurance, fleet maintenance, and data processing services to individual funds. The adjustments for internal service funds close those funds by crediting amounts to participating governmental activities to adjust internal service funds' net income for the year.

$ (157,488)

(Continued)

NOTE 3 – PROPERTY TAX:

The City's property tax is levied each September 1st on the assessed value as listed by the County Assessor and is payable by each November 30th. Beginning December 1st, interest and penalty is accrued on unpaid property taxes. The lien date is January 1st of the year of levy. The assessed values are established by the County Assessment Board. The City's tax rate for the year ended June 30, 2016, was $2.17 per $100 of assessed value.

Property taxes levied for 2015 and prior years, but uncollected as of June 30, 2016, are recorded as receivables, net of estimated uncollectibles based upon collections in prior years. The Allowance for Uncollectible Property Taxes as of June 30, 2016 is $140,942. The taxes collected during the fiscal year ended June 30, 2016, and those taxes expected to be collected in the subsequent sixty (60) days, are recognized as revenues in the fiscal year ended June 30, 2016. All other taxes are recorded as deferred revenue.

Property taxes levied for 2016 are recorded as receivables and deferred revenue.

NOTE 4 - CASH AND INVESTMENTS:

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

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

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

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

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

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

During the year ended June 30, 2016, the City had no realized gains or losses from the maturity and sale of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

The City's total Cash and Investments of $42,294,653 at June 30, 2016 is classified below:

Table 1: Total Cash and Investments at June 30, 2016

Type	Amount
Petty and working cash	$ 3,280
Local financial institutions – checking and savings accounts	10,411,095
U.S. Treasury Notes	1,001,018
Federal Home Loan Mortgage Corp	500,635
State of Tennessee Local Government Investment Pool	30,378,625
Total Cash and Investments	$ 42,294,653

(Continued)

NOTE 4 - CASH AND INVESTMENTS (Continued):

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

Table 2: Investments and Maturities at June 30, 2016

	Fair Value	Less Than 1 Year	1 – 5 Years	6 – 10 Years	More Than 10 Years
State of Tennessee Local Government Investment Pool	$ 30,378,625	$ 30,378,625	$ -	$ -	$ -
Federal Home Loan Mortgage Corp	500,635	500,635	-	-	-
U.S. Treasury Notes	1,001,018	1,001,018	-	-	-
Total Investment and Maturities	$ 31,880,278	$ 31,880,278	$ -	$ -	$ -

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

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

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

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

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, primarily include certain common stock and preferred stock equities. These investments are traded daily in public markets in the United States and other foreign countries. The fair value of these investments is based on the last reported sales price on the last day of the plan year.

Investments that trade in markets that are not considered to be actively traded on a daily basis, but are valued based on quoted market prices, dealer and broker quotations, bid prices, or alternative pricing sources using observable inputs, are classified within Level 2. These include certain U.S. Government and foreign obligations, investment grade corporate bonds and bank loans, certain mortgage and asset backed securities, less liquid listed securities, certain government agency securities, and foreign currency exchange purchase and sales contracts. Common and collective trust funds, investment entities and short –term investment funds, whose underlying assets are primarily invested in securities that are actively traded, are fair value based upon the redemption value of each unit on the last business day of the plan year.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include private equity funds, real estate investment, limited partnerships, certain mortgage and asset backed and common and collective trust funds that are primarily invested in real estate. The fair value of these investments is determined by estimates provided by independent pricing sources in asset classes, non-binding bid prices from industry vendors and managers, and the net asset value on the last day of plan year.

(Continued)

NOTE 4 - CASH AND INVESTMENTS (Continued):

Table 3: Investments and Derivative Instruments Measured at Fair Value

	Fair Value 6/30/2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
US Treasury	$ 1,001,018	$ 1,001,018	$ -	$ -
Fixed Government Agencies	500,635	-	500,635	-
Total Investment by fair value level	1,501,653	$ 1,001,018	$ 500,635	$ -
Investments measured at the net asset value (NAV)	-			
Total investments measured at fair value	$ 1,501,653			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

Table 4: Investments and Ratings at June 30, 2016

	Par Value	Moody's AAA	S & P AA
U.S. Treasury	$ 1,000,000	$ 1,000,000	$ 1,000,000
Federal Home Loan Mortgage Corp	500,000	-	500,000
Total Investment	$ 1,500,000	$ 1,000,000	$ 1,500,000

Concentrations of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. 95% of investments are in the State of Tennessee Local Government Investment Pool. The remaining 5% are invested in U.S. Government Securities.

(Continued)

NOTE 4 - CASH AND INVESTMENTS (Continued):

Pooled Cash and Investment Accounts - Among the City of Maryville, Tennessee's various accounts are one (1) checking account and two (2) investment accounts which are shared by various funds in order to reduce the number of accounts used by the City. A summary of this equity in pooled accounts is shown in Table 5.

Table 5: Summary of Equity in Pooled Cash and Investments

Fund	Equity in Pooled Cash	Equity in Pooled Investments
Major Funds:		
General Fund	$ 861,694	$ 7,807,092
Debt Service Fund	-	275,083
Non Major Funds	234,454	4,040,060
	$ 1,096,148	$ 12,122,235

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES:

As of June 30, 2016, interfund receivables and payables were as shown in Table 6 below.

Table 6: Interfund Receivables/Payables at June 30, 2016

Fund	Amount	Fund	Amount
INTERFUND RECEIVABLES:		**INTERFUND PAYABLES:**	
General Fund	$ 2,136	General Fund	$ 2,301,017
General Purpose School Fund	993,727	General Purpose School Fund	-
Nonmajor Governmental Funds	-	Nonmajor Governmental Funds	846,962
Electric Department	156,027	Electric Department	187,978
Water and Sewer Department	20,606	Water and Sewer Department	175,371
Nonmajor Enterprise Fund	44,367	Nonmajor Enterprise Fund	3,676
Internal Service Funds	2,824,452	Internal Service Funds	526,311
Total Interfund Receivables	$ 4,041,315	**Total Interfund Payables**	$ 4,041,315

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

Transfers during the year are as follows:

Table 7: Interfund Transfers

Transfer From	General Fund	Debt Service Fund	General Purpose School Fund	Nonmajor Governmental Funds	Totals
General Fund	$ -	$ 5,201,284	$ 9,222,500	$ 2,347,257	$ 16,771,041
Electric Department	1,075,684	-	-	-	1,075,684
Water and Sewer Department	494,958	-	-	-	494,958
Non Major Governmental Funds	-	-	-	82,035	82,035
	$ 1,570,642	$ 5,201,284	$ 9,222,500	$ 2,429,292	$ 18,423,718

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

(Continued)

NOTE 6 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2016 is as follows:

Table 8: Summary of Changes In Capital Asset Activity

	Balance July 1, 2015	Reclass-ifications	Additions	Deletions	Balance June 30, 2016
Governmental Activities:					
Non-depreciable Assets:					
Land	$ 6,680,451	$ -	$ 331,645	$ -	$ 7,012,096
Rights-of-way/Easements	122,130	-	-	-	122,130
Construction-in-progress	1,285,806	-	2,736,997	2,304,350	1,718,453
Total Non-depreciable Assets	8,088,387	-	3,068,642	2,304,350	8,852,679
Depreciable Assets:					
Buildings	101,004,058	-	-	-	101,004,058
Improvements	25,064,136	-	2,253,332	-	27,317,468
Infrastructure	18,831,280	-	929,678	-	19,760,958
Capital lease property:					
Buildings (Civic Arts Center)	23,075,000	-	-	-	23,075,000
Communications equipment	1,391,663	-	-	-	1,391,663
Equipment and vehicles	19,124,340	-	2,753,109	1,424,950	20,452,499
Total Depreciable Assets	188,490,477	-	5,936,119	1,424,950	193,001,646
Accumulated Depreciation:					
Buildings	27,576,604	-	2,011,416	-	29,588,020
Improvements	6,401,786	-	817,847	-	7,219,633
Infrastructure	10,269,585	-	589,043	-	10,858,628
Capital lease property	5,433,539	-	1,013,219	-	6,446,758
Equipment and vehicles	12,095,507	-	1,454,250	1,297,297	12,252,460
Total Accumulated Depreciation	61,777,021	-	5,885,775	1,297,297	66,365,499
Net Depreciable Assets	126,713,456	-	50,344	127,653	126,636,147
Governmental Activities Capital Assets, Net	$ 134,801,843	$ -	$ 3,118,986	$ 2,432,003	$ 135,488,826

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued):

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2016 is as follows:

Table 8: Summary of Changes In Capital Asset Activity (Continued)

	Balance July 1, 2015	Reclass-ifications	Additions	Deletions	Balance June 30, 2016
Business-type Activities:					
Non-depreciable Assets:					
Land and Land Rights	$ 1,991,080	$ -	$ 59,742	$ -	$ 2,050,822
Construction-in-progress	3,563,556	-	9,184,217	10,200,449	2,547,324
Total Non-depreciable Assets	5,554,636	-	9,243,959	10,200,449	4,598,146
Depreciable Assets:					
Utility plant acquisition costs	162,770	-	-	-	162,770
Electric plant in service:					
Transmission	5,776,753	-	56,459	-	5,833,212
Distribution	55,793,613	-	3,488,141	546,414	58,735,340
General	7,280,118	-	1,076,827	354,116	8,002,829
Water plant in service	42,170,401	-	1,692,716	255,895	43,607,222
Sewer plant in service	84,525,116	-	3,860,370	47,436	88,338,050
Stormwater plant in service	2,967,941	-	227,712	-	3,195,653
Total Depreciable Assets	198,676,712	-	10,402,225	1,203,861	207,875,076
Accumulated Depreciation:					
Utility plant acquisition costs	162,770	-	-	-	162,770
Electric plant in service:					
Transmission	2,339,677	-	146,076	-	2,485,753
Distribution	22,223,044	-	2,026,548	569,159	23,680,433
General	4,688,923	-	400,980	190,197	4,899,706
Water plant in service	16,632,205	-	1,364,880	336,846	17,660,239
Sewer plant in service	21,811,052	-	2,152,674	91,378	23,872,348
Stormwater plant in service	298,243	-	125,264	-	423,507
Total Accumulated Depreciation	68,155,914	-	6,216,422	1,187,580	73,184,756
Net Depreciable Assets	130,520,798	-	4,185,803	16,281	134,690,320
Business-Type Activities Capital Assets, Net	$ 136,075,434	$ -	$ 13,429,762	$ 10,216,730	$ 139,288,466

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

General Government	$ 412,253
Public Safety	625,672
Public Works	1,194,799
Culture and Recreation	956,392
Education	2,696,659
Total Depreciation Expense – Governmental Activities	$ 5,885,775

(Continued)

NOTE 7 – LONG-TERM DEBT:

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2016 were as follows:

$14,750,000 – 2008C General Obligation Refunding, due in annual installments of $400,000 to $1,470,000 through June 1, 2021; interest at 4.0% to 5.0%. The proceeds were used to refund existing debt in both general government and business-type activities. During the fiscal year ended June 30, 2016, this issue was partially refunded by 2016B General Obligation Refunding Bonds. At June 30, 2016 the balance for for general government and business-type was $285,000 and $2,460,000 respectively.	$ 2,745,000
$11,540,000 – 2009A General Obligation Refunding, due in annual installments of $180,000 to $1,680,000 through June 1, 2019; interest at 3.0% to 4.0%. The proceeds were used to currently refund existing debt in general government activities.	3,185,000
$16,365,000 – 2009B General Obligation Refunding, due in annual installments of $375,000 to $3,810,000 through June 1, 2024; interest at 4.0% to 5.0%. The proceeds were used to currently refund existing debt in both general government and business-type activities. At June 30, 2016 the balance for general government and business-type activities was $11,555,000 and $4,810,000 respectively.	16,365,000
$2,785,000 – 2009C General Obligation Refunding, due in annual installments of $75,000 to $1,640,000 through June 1, 2019; interest at 1.25% to 4.50%. The proceeds were used to currently refund existing debt in both general government and business-type activities. At June 30, 2016 the balance for general government and business-type activities was $1,750,000 and $570,000 respectively.	2,320,000
$2,500,000 – 2010 General Obligation Public Improvement, due in annual installments of $155,000 to $205,000 through June 1, 2025; interest at 2.0% to 3.50%. The proceeds were used to finance capital acquisitions of business-type activities.	1,620,000
$14,170,000 – 2010B General Obligation Refunding, due in annual installments of $1,010,000 to $2,280,000 through June 1, 2030; interest at 3.5% to 4.0%. The proceeds were used to currently refund existing debt in the general government.	14,170,000
$9,855,000 – 2015 General Obligation Refunding, due in annual installments of $1,010,000 to $2,280,000 through June 1, 2030; interest at 3%. The proceeds were used to partially refund existing debt in the general government.	9,855,000
$3,350,000 – 2016A General Obligation Refunding, due in annual installments of $150,000 to $450,000 through June 1, 2029; interest at 1.5% to 4.0%. The proceeds were used to currently refund the 2009 Local Government Improvement Bonds of the general government.	3,350,000
$6,175,000 – 2016B General Obligation Refunding, due in annual installment of $30,000 to $1,160,000; interest at 2.0% to 3.0%. The proceeds were used to currently refund a portion of the 2007 Electric Revenue Bonds, 2008 General Obligation Refunding Bonds, and 2008 Tennessee Local Government Improvement Bond Financing Program Loan in both the general government and business-type activities. At June 30, 2016 the balance for general government and business-type activities was $1,197,000 and $4,978,000, respectively.	6,175,000
	59,785,000

Revenue Bonds. The City issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In addition, revenue bonds have been issued to refund revenue bonds. These bonds are generally issued as serial bonds with varying amounts of principal maturing each year. Revenue bonds outstanding at June 30, 2016 were as follows:

$3,100,000 – 2007 Electric Revenue Bonds, due in installments of $245,000 to $300,000 through June 1, 2021; interest at 4.0 to 5.0%. During the fiscal year ended June 30, 2016, this issue was partially refunded by 2016B General Obligation Refunding Bonds.	$ 255,000

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

$34,500,000 – 2008 Water and Sewer Revenue and Tax Bonds – Series A, due in installments of $250,000 to $2,750,000 through June 1, 2038; interest at 4.0% to 5.0%	33,000,000
$4,100,000 – 2008 Water and Sewer Revenue and Tax Bonds – Series B, due in installments of $190,000 to $325,000 through June 1, 2028; interest at 4.0% to 5.0%. During the fiscal year ended June 30, 2016, this issue was partially refunded by 2016B General Obligation Refunding Bonds.	410,000
	33,665,000

Tennessee Local Government Public Improvement Bond Financing Program Loans. The City participates in the Tennessee Local Government Public Improvement Bond Financing Program under which monies are borrowed from various Public Building Authorities to finance costs of capital projects as stipulated under loan agreements. Such loans outstanding at June 30, 2016 were as follows:

$2,000,000 – 2006 Tennessee Local Government Public Improvement Bond Financing Program Loan Series B-10-A, due in annual installments of $225,000 to $240,000 through June 1, 2017; interest at 5.55% to 5.85%	240,000
$3,000,000 – 2008 Tennessee Local Government Public Improvement Bond Financing Program Loan Series B-17-A, due in annual installments of $195,000 to $275,000 through June 1, 2033; interest at 3% to 4.25%. During the fiscal year ended June 30, 2016, this issue was partially retired by 2016B General Obligation Refunding Bonds.	420,000
	660,000

Tennessee State School Bond Authority. During the fiscal year ended June 30, 2010, the City obtained a loan from the Tennessee State School Bond Authority in the amount of $18,720,000. The proceeds were used to fund the construction of a new school. The note outstanding at June 30, 2016 was as follows:

$18,720,000 – Tennessee State School Bond Authority Note, due in monthly installments of $97,342 to $110,118 through July 1, 2026; non-interest bearing except for any supplemental coupon and any conversion coupon required to be paid	11,808,749

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

$2,304,000 – Tennessee Revolving Fund loan, due in monthly payments to begin ninety (90) days after the completion of the project and continuing for twenty (20) years, interest at 2.09%. continuing for twenty (20) years; interest at 2.09%.	1,813,644
Total Debt Payable	$ 107,732,393

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

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

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

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

The following is a summary of debt transactions of the City for the fiscal year ended June 30, 2016:

Table 9: Summary of Debt Transactions

	Debt Payable July 1, 2015	Debt Acquired	Debt Retired	Debt Payable June 30, 2016
Tennessee Local Government Public Improvement Bond Financing Program	$ 2,325,000	$ -	$ 1,665,000	$ 660,000
Tennessee Revolving Fund	1,915,788	-	102,144	1,813,644
Tennessee State School Bond Authority	12,976,847	-	1,168,098	11,808,749
General Obligation Bonds	57,775,000	9,525,000	7,515,000	59,785,000
Revenue Bonds	38,145,000	-	4,480,000	33,665,000
Totals	$ 113,137,635	$ 9,525,000	$ 14,930,242	$ 107,732,393

On February 1, 2016, the City issued $3,350,000 of General Obligation Refunding Bonds, Series 2016A, which were used to refund 2009 Local Government Public Improvement Bonds. The bonds were issued at a premium of $96,536. Of the total proceeds of $3,446,536, $3,375,000 was deposited with the refunding escrow agent. The reacquisition price was equal to the carrying value of the refunded debt.

On May 25, 2016, the City issued $6,175,000 of General Obligation Refunding Bonds, Series 2016B, which were used to refund a portion of the 2007 Electric Revenue Bonds, 2008 General Obligation Refunding Bonds, and 2008 Tennessee Local Government Improvement Bond Financing Program Loan. The bonds were issued at a premium of $361,442. Of the total proceeds $6,536,442 and city funds of $144,998, $6,578,149 was deposited with the refunding escrow agent. The reacquisition price exceeded the par value of the refunded debt by $393,149.

The following discloses the City's debt service requirements as of June 30, 2016, for the next five (5) years and in five (5)-year increments thereafter:

Table 10: Debt Service Requirements

Fiscal Years	Governmental Activities		Business-Type Activities		
Ending June 30,	Principal	Interest	Principal	Interest	Total
2017	$ 3,428,099	$ 1,980,522	$ 2,309,268	$ 2,225,240	$ 9,943,129
2018	3,268,099	1,882,235	2,406,440	2,119,553	9,676,327
2019	3,360,099	1,798,043	2,556,648	1,903,170	9,617,960
2020	3,647,099	1,707,458	2,651,916	1,806,198	9,812,671
2021	3,784,099	1,612,088	2,787,220	1,709,990	9,893,397
Subtotal	17,487,495	8,980,346	12,711,492	9,764,151	48,943,484
2022	3,966,099	1,487,608	2,222,572	1,597,967	9,274,246
2023	4,100,099	1,384,398	1,880,972	1,517,915	8,883,384
2024	4,643,099	1,275,258	2,000,432	1,448,095	9,366,884
2025	4,173,099	1,139,458	2,057,940	1,375,237	8,745,734
2026	3,695,858	1,028,258	1,915,496	1,298,281	7,937,893
Subtotal	20,578,254	6,314,980	10,077,412	7,237,495	44,208,141
2027	$ 2,480,000	$ 657,650	$ 2,033,100	$ 1,226,127	$ 6,396,877
2028	2,585,000	567,450	2,135,764	1,147,363	6,435,577
2029	2,680,000	471,925	1,933,488	1,064,164	6,149,577
2030	3,030,000	371,550	2,036,260	980,392	6,418,202
2031	2,075,000	269,250	2,139,128	892,062	5,375,440
Subtotal	12,850,000	2,337,825	10,277,740	5,310,108	30,775,673

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

Table 10: Debt Service Requirements (Continued)

Fiscal Years	Governmental Activities		Business-Type Activities		
Ending June 30,	Principal	Interest	Principal	Interest	Total
2032	2,150,000	207,000	2,100,000	800,500	5,257,500
2033	2,300,000	142,500	2,200,000	706,000	5,348,500
2034	2,090,000	73,500	2,300,000	607,000	5,070,500
2035	360,000	10,800	2,400,000	503,500	3,274,300
3036	-	-	2,500,000	392,500	2,892,500
Subtotal	6,900,000	433,800	11,500,000	3,009,500	21,843,300
2037	-	-	2,600,000	267,500	2,867,500
2038	-	-	2,750,000	137,500	2,887,500
Subtotal	-	-	5,350,000	405,000	5,755,000
Totals	$ 57,815,749	$ 18,066,951	$ 49,916,644	$ 25,726,254	$ 151,525,598

The follow is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

Table 11: Summary of Changes in Long-term Liabilities

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Debt Payable:					
Loans payable – Tennessee Local Government Public Improvement Bond Financing Program	$ 2,325,000	$ -	$ 1,665,000	$ 660,000	$ 445,000
Loan Payable – Tennessee State School Bond Authority	12,976,847	-	1,168,098	11,808,749	1,168,099
General Obligation bonds payable	45,790,000	4,547,000	4,990,000	45,347,000	1,665,000
Premium on bonds	1,715,053	174,356	156,336	1,733,073	170,109
Total Debt Payable	62,806,900	4,721,356	7,979,434	59,548,822	3,448,208
Other Liabilities:					
Capital lease obligations	20,593,645	-	8,499,567	12,094,078	723,123
Compensated absences	1,643,327	700,382	607,083	1,736,626	614,979
Accrued post-employment benefit obligations	4,308,061	1,830,102	937,136	5,201,027	-
Total Other Liabilities	26,545,033	2,530,484	10,043,786	19,031,731	1,338,102
Total Long-term Liabilities – Governmental Activities	$ 89,351,933	$ 7,251,840	$ 18,023,220	$ 78,580,553	$ 4,786,310

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

The follow is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

Table 11: Summary of Changes in Long-term Liabilities (Continued)

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Business-type Activities:					
Debt Payable:					
Loans payable – Tennessee Revolving Fund	$ 1,915,788	$ -	$ 102,144	$ 1,813,644	$ 104,268
Revenue bonds payable	38,145,000	-	4,480,000	33,665,000	705,000
General Obligation bonds payable	11,985,000	4,978,000	2,525,000	14,438,000	1,500,000
Premium on bonds	503,444	283,621	165,568	621,497	98,235
Total Debt Payable	52,549,232	5,261,621	7,272,712	50,538,141	2,407,503
Other Liabilities:					
Compensated absences	1,664,000	577,364	542,822	1,698,542	592,686
Accrued post-employment benefit obligations	1,177,290	271,740	111,289	1,337,741	-
Total Other Liabilities	2,841,290	849,104	654,111	3,036,283	592,686
Total Long-term Liabilities - Business-type Activities	$ 55,390,522	$ 6,110,725	$ 7,926,823	$ 53,574,424	$ 3,000,189

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

During the fiscal year ended June 30, 2004 Blount County, Tennessee issued $1,325,000 in bonds on behalf of the Recreation and Parks Commission for the construction of a new Senior Citizen Center. The City agreed to fund thirty percent (30%) of the debt service payments. For the fiscal year ended June 30, 2016, the City's share of debt service was $31,414 ($30,000 principal and $1,414 interest). Future annual principal payments of $30,000 to $37,500 are due through June 30, 2018, and total $67,500. The bonds bear interest at a variable rate.

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM:

(A) CITY OF MARYVILLE:

General Information about the Pension Plan:

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

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(A) CITY OF MARYVILLE (Continued):

General Information about the Pension Plan (Continued):

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

Employees covered by the benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	242
Inactive employees entitled to but not yet receiving benefits	318
Active employees	439
	999

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary, Maryville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, employer contributions for Maryville were $2,145,243 based on a rate of 11.26 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Maryville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Maryville's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(A) CITY OF MARYVILLE (Continued)

Net Pension Liability (Asset) (Continued):

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

Table 12: Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2014	$ 70,178,623	$ 69,091,226	$ 1,087,397
Changes for the year:			
Service cost	1,497,709	-	1,497,709
Interest	5,316,317	-	5,316,317
Differences between expected and actual experience	(233,801)	-	(233,801)
Contributions – employer	-	2,030,190	(2,030,190)
Contributions – employees	-	901,464	(901,464)
Net investment income	-	2,150,493	(2,150,493)
Benefit payments, including refunds of employee contributions	(2,610,612)	(2,610,612)	-
Administration expense	-	(21,168)	21,168
Net changes	3,969,613	2,450,367	1,519,246
Balance at June 30, 2015	$ 74,148,236	$ 71,541,593	$ 2,606,643

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

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Maryville's net pension liability (asset)	$ 13,084,704	$ 2,606,643	$ (6,084,895)

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(A) CITY OF MARYVILLE (Continued):

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

Pension expense. For the year ended June 30, 2016, Maryville recognized pension expense of $48,417.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Maryville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 791,040
Net difference between projected and actual earnings on pension plan investments	2,464,387	3,211,759
Contributions subsequent to the measurement date of June 30, 2015	2,145,243	-
Total	$ 4,609,630	$ 4,002,799

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2017	$ (639,029)
2018	(639,029)
2019	(639,029)
2020	416,738
2021	(38,055)
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2016, Maryville reported a payable of $327,670 for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2016.

(B) CITY OF MARYVILLE SCHOOL SYSTEM:

General Information about the Pension Plan

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

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) CITY OF MARYVILLE SCHOOL SYSTEM (Continued):

General Information about the Pension Plan (Continued)

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Maryville City Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were $2,088,250 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities. At June 30, 2016, the Maryville City Schools reported a liability of $251,556 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Maryville City Schools' proportion of the net pension liability was based on Maryville City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Maryville City Schools' proportion was 0.614098 percent. The proportion measured as of June 30, 2014 was 0.579839 percent.

Negative Pension Expense. For the year ended June 30, 2016, Maryville City Schools recognized a negative pension expense of $111,875.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Maryville City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 201,884	$ 3,915,502
Net difference between projected and actual earnings on pension plan investments	4,542,309	6,166,432
Changes in proportion of Net Pension Liability (Asset)	502,506	-
LEAs contributions subsequent to the measurement date of June 30, 2015	2,088,250	-
Total	$ 7,334,949	$ 10,081,934

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) CITY OF MARYVILLE SCHOOL SYSTEM (Continued):

General Information about the Pension Plan (Continued)

Maryville City Schools' employer contributions of $2,088,250 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	$ (1,562,122)
2018	(1,562,122)
2019	(1,562,122)
2020	493,355
2021	(642,222)
Thereafter	-

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

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(B) CITY OF MARYVILLE SCHOOL SYSTEM (Continued):

General Information about the Pension Plan (Continued)

Actuarial assumptions. (Continued)

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Maryville City Schools' proportionate share of the net pension liability (asset)	$ 17,150,223	$ 251,556	$ (13,738,548)

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

Payable to the Pension Plan

At June 30, 2016, Maryville City Schools' reported a payable of $270,119 for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2016.

(C) CITY OF MARYVILLE SCHOOL SYSTEM:

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement.

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(C) CITY OF MARYVILLE SCHOOL SYSTEM (Continued)

General Information about the Pension Plan (Continued)

A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Teacher Retirement Plan were $29,862, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2016, Maryville City Schools reported an asset of $4,059 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Maryville City Schools' proportion of the net pension asset was based on Maryville City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Maryville City Schools' proportion was 0.100884 percent.

Pension expense. For the year ended June 30, 2016, Maryville City Schools' recognized a pension expense of $5,319.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Maryville City Schools' reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,321
Net difference between projected and actual earnings on pension plan investments	328	-
LEA's contributions subsequent to the measurement date of June 30, 2015	29,862	-
TOTAL	$ 30,190	$ 1,321

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(C) CITY OF MARYVILLE SCHOOL SYSTEM (Continued)

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

Maryville City Schools employer contributions of $29,862, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	$ (28)
2018	(28)
2019	(28)
2020	(29)
2021	(110)
Thereafter	(771)

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

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(C) CITY OF MARYVILLE SCHOOL SYSTEM (Continued):

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

Actuarial assumptions (Continued)

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Maryville City Schools' proportionate share of the net pension liability (asset)	$ 720	$ (4,059)	$ (7,563)

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

Payable to the Pension Plan

At June 30, 2016, Maryville City Schools' reported a payable of $6,421 for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2016.

(D) CITY OF MARYVILLE UTILITIES RETIREMENT PROGRAM:

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

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

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

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(D) CITY OF MARYVILLE UTILITIES RETIREMENT PROGRAM (Continued):

Total pension expense in 2016 was $184,387 for employees hired after June 30, 1988. Pension expense for those hired before that date is more fully disclosed in **(A)** above.

(E) DEFERRED COMPENSATION PLAN:

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

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

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

(F) DEFINED CONTRIBUTION PLAN:

Maryville City Schools contributes to the Higher Education and Teacher Hybrid Plan, a defined contribution pension plan under section 401(k) of the Internal Revenue Code, for teachers with membership in the Tennessee Consolidated Retirement System after June 30, 2014. This plan is a component of the defined benefit plan reported in Part (C) of this Note. Benefit terms, including contribution requirements, for the Plan are established by Tennessee Code Annotated Title 8, Chapters 34-37 and may be amended by the Tennessee General Assembly. For each employee in the pension plan the Maryville City Schools is required to contribute 5% of annual salary to an individual employee account. Employees have a 2% contribution, with an opt-out feature. For the year ended June 30, 2016 the Maryville City Schools recognized pension expense of $23,183. Employees are immediately vested on all contributions and earnings on those contributions.

The Maryville City Schools reported a payable of $931 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

(A) CITY RETIREES:

Plan Description:

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

Funding Policy:

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

(Continued)

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

(A) CITY RETIREES (Continued):

Table 13: Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	$ 520,951
Interest on Net OPEB Obligation	181,812
Adjustments on Annual Required Contributions	(101,925)
Annual OPEB Costs	600,838
Annual Employer Contribution	(246,214)
Increase in Net OPEB Obligations	354,624
Net OPEB Obligation, July 1, 2015	2,693,519
Net OPEB Obligation, June 30, 2016	$ 3,048,143

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At End of Year
June 30, 2016	$ 600,838	41.0%	$ 3,048,143
June 30, 2015	508,345	44.4%	2,693,519
June 30, 2014	492,177	46.9%	2,411,059
June 30, 2013	467,789	45.8%	2,149,825

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial valuation date	January 1, 2015
Actuarial accrued liability (AAL)	$ 6,449,768
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	6,449,768
Actuarial value of assets as a % of the AAL	0%
Covered payroll	16,617,648
UAAL as a % of Covered payroll	38.8%

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

Actuarial Methods and Assumptions:

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

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

(Continued)

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

(B) SCHOOL RETIREES:

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

Funding Policy:

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

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

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

Table 14: Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	$ 1,416,864
Interest on Net OPEB Obligation	188,448
Adjustments on Annual Required Contributions	(104,305)
Annual OPEB Costs	1,501,007
Annual Employer Contribution	(802,211)
Increase in Net OPEB Obligations	698,796
Net OPEB Obligation, July 1, 2015	2,791,832
Net OPEB Obligation, June 30, 2016	$ 3,490,628

Funding Policy:

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

Fiscal Year Ending	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At End of Year
June 30, 2016	$ 1,501,007	53.4%	$ 3,490,628
June 30, 2015	1,334,147	54.9%	2,791,832
June 30, 2014	1,266,203	57.3%	2,182,723
June 30, 2013	1,189,129	56.0%	1,642,161

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial valuation date	January 1, 2015
Actuarial accrued liability (AAL)	$ 13,957,392
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	13,957,392
Actuarial value of assets as a % of the AAL	0%
Covered payroll	27,326,755
UAAL as a % of Covered payroll	51.1%

(Continued)

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

(B) SCHOOL RETIREES (Continued):

Funding Status and Funding Progress (Continued):

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

Methods and Assumptions:

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

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, projected salary increase of 4.5%, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. Both rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on a closed basis over a 30-year period beginning with June 30, 2009.

NOTE 10 - CONTRACTS WITH THE TENNESSEE VALLEY AUTHORITY (TVA):

The City of Maryville Utilities Electric Department (Utility) has a power contract with TVA whereby the Utility purchases all its electric power from TVA and is subject to restrictions and conditions. The restrictions include prohibitions against diverting Utility assets to other operations of the municipality, securing indebtedness of other operations, or paying more than the Utility's equitable share of tax equivalents.

The Utility participated in TVA's Home Energy Conservation Program prior to July 1, 1989. Under this program, TVA advanced the funds from which the Utility made disbursements for approved customer home insulation and heat pumps. Since October, 1989, the Utility has participated in the Residential Energy Services Program through which TVA advances funds from which the Utility makes interest-bearing loans for approved customer heat pumps. In the event of customer default, the Utility does not have loss exposure.

NOTE 11 - SELF-INSURANCE:

(A) WORKMEN'S COMPENSATION:

Effective September 1, 1979, the City of Maryville, Tennessee, was issued a Certificate of Compliance with the Tennessee Workmen's Compensation Law to operate under the Act as a self-insured employer. The Certificate was issued by the State of Tennessee Department of Labor - Division of Workmen's Compensation.

The amounts transferred to the Self-Insured Workmen's Compensation Internal Service Fund are determined by reference to standard Workmen's Compensation rate structures used by insurance companies.

The self-insurance plan is augmented by coverage with the Tennessee Municipal League (TML) Risk Management Pool, whereby coverage is extended for claims over $400,000 per occurrence and $400,000 aggregate. Thus, the City was subject to a maximum liability of $400,000 for workmen's compensation claims during the fiscal year ended June 30, 2016.

(B) EMPLOYEE'S BENEFITS - MEDICAL PLAN:

The City of Maryville, Tennessee, previously entered into a self-insured program for employee medical benefits. The City of Maryville Utilities (Enterprise Funds) and the City of Maryville Board of Education share with the City of Maryville, Tennessee, jointly in the claims filed by their employees, and the rate of the premiums paid into the fund is based on prior experience and insurance company recommendations.

(Continued)

NOTE 11 - SELF-INSURANCE (Continued):

(B) EMPLOYEE'S BENEFITS - MEDICAL PLAN (Continued)

The self-insurance plan is augmented by coverage with Sun Life of Canada, whereby coverage is extended for claims exceeding $150,000 per employee. Thus, the City was subject to a maximum liability of $124,200,000 (828 employees at $150,000 each) for health insurance claims during the fiscal year ended June 30, 2016.

(C) CLAIMS LIABILITIES:

Liabilities of the self-insurance funds are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The self-insurance funds establish claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two (2) fiscal years for each fund are shown in Table 13 below:

The City continues to carry commercial insurance for all other risks of loss, including coverage for buildings and personal property, general and personal injury liability, and automobile liability and physical damage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the prior three (3) fiscal years.

Table 15: Changes in Balance of Claims Liabilities

Fiscal Year	Liability - Beginning	Claims and Changes in Estimates	Fiscal Year Claim Payments	Liability - Ending
Employee Medical Self-Insurance/ Dental Insurance				
2013-2014	$ -	$ 9,645,463	$ 9,645,463	$ -
2014-2015	-	7,849,162	7,849,162	-
2015-2016	-	8,837,586	8,837,586	-
Retiree Medical Self-Insurance				
2013-2014	$ -	$ 787,465	$ 787,465	$ -
2014-2015	-	924,571	924,571	-
2015-2016	-	734,977	734,977	-
Workmen's Compensation Self-Insurance				
2013-2014	$ -	$ 276,647	$ 276,647	$ -
2014-2015	-	138,853	138,853	-
2015-2016	-	115,390	115,390	-

(Continued)

NOTE 12 – CONSTRUCTION CONTRACTS:

As of June 30, 2016, the City of Maryville, Tennessee had the following commitments with respect to unfinished construction–in–progress:

Table 16: Summary of Construction Contracts in Progress

Project Name	Total Contract or Estimated Amount	Costs Incurred Through June 30, 2016	Estimated Cost to Complete
Culinary Arts Building	$ 1,610,700	$ 216,407	$ 1,394,293
Amerine Road Project	341,000	283,849	57,151
Foothills Mall Road Extension – Design Phase	414,000	27,609	386,391
Stormwater Drainage System Repair	141,219	65,360	75,859
Traffic Operations Improvement	354,000	19,598	334,402
John Sevier Pool Improvements	609,300	63,518	545,782
Soccer Field Press Box	62,650	31,325	31,325
	$ 3,532,869	$ 707,666	$ 2,825,203

NOTE 13 - JOINT VENTURES:

In order to pool resources and share the costs, risks and rewards of providing services for the benefit of the general public, the City of Maryville, Tennessee participates (has an on-going financial interest and financial responsibility) in the following joint ventures.

(A) BLOUNT COUNTY PUBLIC LIBRARY

The Blount County Public Library is funded jointly by the City of Maryville, Blount County, and City of Alcoa, Tennessee, pursuant to an agreement entered into on the effective date January 1, 1969, and continuing until any party shall furnish a six (6) month written notice to terminate its participation.

For the fiscal year ended June 30, 2016, the City of Maryville contributed $767,286 to the Library.

Summary financial information, as required by generally accepted accounting principles, for the fiscal year ended June 30, 2016, is presented as follows:

Table 17: Blount County Public Library (Summary)

Revenues	$ 1,184,253
Other Sources – Operating transfers	959,108
Expenditures	(2,161,810)
Excess of Revenues and Other Sources Over Expenditures	(18,449)
Fund Balance – July 1, 2015	829,748
Fund Balance – June 30, 2016	$ 811,299
Total Assets	$ 872,623
Total Liabilities	$ 61,324
Fund Balance	**$ 811,299**

The Blount County Public Library is reported as a component unit of Blount County, Tennessee. That report may be obtained by writing to Blount County, Tennessee, 341 Court Street, Maryville, TN 37801.

(Continued)

NOTE 13 - JOINT VENTURES (Continued):

(B) EMERGENCY COMMUNICATIONS DISTRICT OF BLOUNT COUNTY

Pursuant to an agreement dated August 28, 1984, between the City of Maryville, Blount County, and the City of Alcoa, Tennessee, a Communications Center was established for the purpose of handling emergency calls for the three (3) governmental entities. Effective July 1, 1999, the Blount County Communications Center was combined with the Emergency Communications District of Blount County, a component unit of Blount County, Tennessee. The three (3) governmental entities participate in the funding of the District while exercising no direct control over the District.

The Emergency Communications District of Blount County is governed by nine (9) directors appointed by the Blount County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Blount County Board of County Commissioners. The District's Board employs coordinators and staff to conduct the daily business of the organization.

For the fiscal year ended June 30, 2016, the City of Maryville, Tennessee contributed $151,064 to the Blount County Emergency Communications District.

Summary financial information, as required by generally accepted accounting principles, for the fiscal year ended June 30, 2016, is presented below:

Table 18: Emergency Communications District (Summary)

Operating Revenues	$ 1,422,519
Operating Expenses	1,893,358
Operating Income (Loss)	(470,839)
Non-Operating Revenues	1,075,882
Change in Net Position	605,043
Net Position – July 1, 2015	3,071,830
Net Position – June 30, 2016	$ 3,676,873
Total Assets	$ 5,348,340
Deferred Outflows of Resources	$ 117,748
Total Liabilities	$ 1,675,057
Deferred Inflows of Resources	$ 114,158
Net Position	**$ 3,676,873**

The Emergency Communications District of Blount County issues a publicly available financial report. A report may be obtained by writing to the Blount County Communications District, P. O. Box 4609, Maryville, TN 37802.

(C) RECREATION AND PARKS COMMISSION

The City of Maryville, Blount County, and the City of Alcoa, Tennessee, jointly participate in the Recreation and Parks Commission (County-Wide) by funding percentages of the operational budget of the Commission. Each governmental entity appoints several persons to serve as commissioners on the Recreation and Parks Commission. The following factors suggest that the Recreation and Parks Commission should not be included in the reporting entity:

(1) The governing board is solely responsible for operational activities of the Commission.

(2) The City is neither entitled to operating surpluses nor responsible for operating deficits of the Commission.

(3) The City's participation is limited to allocated funding as derived by the Commission's operating budget.

(4) The facilities operated by the Recreation and Parks Commission are open to the public-at-large and not exclusively for enjoyment of residents of the City of Maryville, Tennessee.

For the fiscal year ended June 30, 2016, the City of Maryville, Tennessee contributed $724,372 to the Recreation and Parks Commission to fund operations.

(Continued)

NOTE 13 - JOINT VENTURES (Continued):

(C) RECREATION AND PARKS COMMISSION (Continued)

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2016, is presented below:

Table 19: Recreation And Parks (Summary)

Revenues	$ 2,725,195
Expenditures	2,558,176
Change in Net Position	167,019
Net position – July 1, 2015	1,144,275
Net position – June 30, 2016	$ 1,311,294
Total Assets	$ 1,593,227
Deferred Outflows of Resources	$ 138,051
Total Liabilities	$ 349,116
Deferred Inflows of Resources	$ 70,868
Net Position	**$ 1,311,294**

No joint venture debt was reported on the financial statements of the Recreation and Parks Commission as of June 30, 2016. However, Blount County, Tennessee has issued $1,325,000, in variable-rate bonds on behalf of the Commission's new Senior Citizen Center. The City of Maryville is responsible for thirty percent (30%) of the debt service on those bonds, as described in Note 7.

Capital Assets of the Recreation and Parks Commission ($413,823 (net) at June 30, 2016) are included in the Total Assets shown above.

The Recreation and Parks Commission issues a publicly available financial report. A copy may be obtained by writing to Recreation and Parks Commission, 316 Everett High Road, Maryville, TN 37804.

(D) BLOUNT COUNTY CABLE TELEVISION AUTHORITY

The City of Maryville, Blount County, and the City of Alcoa, Tennessee jointly regulate the operation of cable television through the Blount County Cable Television Authority. The Authority is composed of nine (9) appointed members. The Authority funds its budget through the collection of cable television franchise fees from companies under its jurisdiction. After payment of the Authority's expenses, the residual of those collections is remitted to the County and the two Cities based on point of collection.

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2016, is presented in Table 20.

No joint venture debt was reported on the financial statements of the Authority as of June 30, 2016.

Table 20: Cable Television Authority (Summary)

Revenues	$ 1,053,056
Expenditures	25,690
Excess of Revenues Over Expenditures Before Franchise Fee Distributions	1,027,366
Franchise Fee Distributions to County and Cities	1,027,462
Change in Net Position	(96)
Net Position - July 1, 2015	18,459
Net Position - June 30, 2016	$ 18,363
Total Assets	$ 268,453
Total Liabilities	$ 250,090
Net Position	**$ 18,363**

(Continued)

NOTE 13 - JOINT VENTURES (Continued):

(C) BLOUNT COUNTY CABLE TELEVISION AUTHORITY (Continued)

The Blount County Cable Television Authority issues a publicly available financial report. A copy may be obtained by writing to Blount County Cable Television Authority, P. O. Box 4338, Maryville, TN 37802.

(D) INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee was organized pursuant to a resolution of the Blount County Quarterly Court in a special called session on September 30, 1969. A certificate of incorporation was received from the Secretary of State of the State of Tennessee dated October 1, 1969. The Industrial Development Board is governed by seven (7) directors. The purpose of the Industrial Development Board is to promote industrial development, provide additional job opportunities in Blount County, Tennessee and surrounding areas, and to exercise the authority and pursue the objectives of an industrial development corporation as provided for in Title 7, Chapter 53, of the Tennessee Code Annotated.

For the fiscal year ended June 30, 2016, the City of Maryville contributed $2,015,083 to the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (inclusive of payments for the development and operation of three (3) industrial parks as more fully described in Note 14).

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2016, is presented below:

Table 21: Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (Summary)

Revenues	$ 5,986,633
Expenditures	10,329,994
Change in Net Position	(4,343,361)
Net Position – July 1, 2015	48,018,086
Net Position – June 30, 2016	$ 43,674,725
Total Assets	$ 76,163,212
Total Liabilities	$ 32,488,487
Net Position	**$ 43,674,725**

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee issues a publicly available report. A copy may be obtained by writing to Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, 201 S. Washington Street, Maryville, Tennessee 37804.

NOTE 14 – JOINT DEVELOPMENT OF INDUSTRIAL PARKS:

(A) PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH

Pursuant to an Intergovernmental Cooperation Agreement dated December 16, 1997, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, and the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, the two (2) cities and Blount County agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as two (2) industrial parks. Such financial assistance is to be provided as follows: Blount County – forty percent (40%); City of Maryville – thirty percent (30%); and City of Alcoa – thirty percent (30%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the two (2) industrial parks – the Partnership Park South (Herron property) and the Partnership Park North (Burkhart property). Such overall control shall include the right to approve all sales of property in the Industrial Parks; approve all budgets related to the operation of the Industrial Parks; approve all capital improvements to the Industrial Parks; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Parks.

(Continued)

NOTE 14 – JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued):

(A) PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH (Continued)

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, and Blount County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Parks together with other receipts in connection with the operation, development, and maintenance of the Industrial Parks. Also, amounts equivalent to the property taxes received with respect to any property within either of the Industrial Parks is to be contributed to the Industrial Board.

(B) THE PELLISSIPPI RESEARCH CENTRE ON THE OAK RIDGE CORRIDOR

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006 by and among the City of Maryville, Tennessee; the City of Alcoa, Tennessee; Blount County, Tennessee; Knox County, Tennessee; and the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – twenty-five percent (25%); Knox County – twenty-five percent (25%); City of Maryville – twenty-five percent (25%); and City of Alcoa – twenty-five percent (25%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the industrial park. Such overall control shall include the right to approve all sales of property in the Industrial Park; approve all budgets related to the operation of the Industrial Park; approve all capital improvements to the Industrial Park; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Park.

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Park together with other receipts in connection with the operation, development, and maintenance of the Industrial Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon the above percentages.

NOTE 15 - FUND BALANCE:

At June 30, 2016, fund balance is classified as follows:

Table 22: Fund Balance Summary

	Major Governmental Funds				
	General Fund	General Purpose School Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Nonspendable - Inventory	$ -	$ -	$ -	$ 34,118	$ 34,118
Restricted To:					
School construction	-	-	-	367,174	367,174
Capital Projects	-	-	-	201,000	201,000
Streets and roads	-	-	-	1,229,393	1,229,393
Special projects	-	-	-	87,052	87,052
Grant projects	-	-	-	2	2
Geographic information	-	-	-	49,697	49,697
Committed To:					
Education	-	-	-	503,356	503,356
Drug enforcement	-	-	-	212,363	212,363
Economic development	-	-	-	186,731	186,731
Culture and recreation	-	-	-	53,931	53,931

(Continued)

NOTE 15 - FUND BALANCE (Continued):

Table 22: Fund Balance Summary (Continued)

	Major Governmental Funds				
	General Fund	General Purpose School Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Assigned To:					
Balance 2017 Budget	378,850	-	-	-	378,850
Capital Projects	-	-	-	351,177	351,177
Education	-	7,273,369	-	435,400	7,708,769
Debt	-	-	243,669	-	243,669
Drug enforcement	-	-	-	12,298	12,298
Economic development	-	-	-	28,364	28,364
Geographic information	-	-	-	73,813	73,813
Central traffic operation	-	-	-	2,162	2,162
Grant projects	-	-	-	776,805	776,805
Equipment replacement	-	-	-	375,499	375,499
Unassigned	8,126,757	-	-	-	8,126,757
Totals	$ 8,505,607	$ 7,273,369	$ 243,669	$ 4,980,335	$ 21,002,980

NOTE 16 – RISK FINANCING ACTIVITIES:

It is the policy of the City of Maryville to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health and accident claims. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

The City maintains its funds with financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to at least one hundred five percent (105%) of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Under this assessment agreement, public funds accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

NOTE 17 - PENDING LITIGATION:

The City of Maryville, Tennessee is involved in various litigations arising in the ordinary course of its operations. The City is vigorously defending each of the suits. The outcome of these suits is not presently determinable. However, management believes that if any suit results an unfavorable outcome that its insurance coverage is sufficient to cover any judgment.

Another suit styled Blount County Board of Education v. City of Maryville, Tennessee and City of Alcoa, Tennessee alleges underpayment to the Blount County Board of Education of liquor by the drink tax revenue that was retained by the City. Per Tennessee Code Annotated one-half of the revenue is to be earmarked for education. Blount County Board of Education alleges that they are entitled to a share of this revenue. It is the City's position that since they have a school system, the tax revenues received do not have to be shared with Blount County or the Blount County Board of Education. A summary judgement was issued in the City's favor. An alternative claim alleges that the City owes the Blount County Board of Education $270,528. On December 7, 2016 the courts granted a summary judgement in the City's favor. The City expects the rulings will be appealed and will continue to vigorously contest the case.

(Continued)

NOTE 18- CAPITAL LEASE OBLIGATIONS:

(A) CIVIC ARTS CENTER

On May 2, 2006 the City Council adopted a resolution authorizing the execution of a lease agreement with respect to a Civic Arts Center to be constructed on the campus of Maryville College; approving the issuance of bonds by the Industrial Development Board of Blount County to finance such Civic Arts Center; consenting to the assignment of the City's obligation under the lease agreement; and such other matters with respect to the Civic Arts Center.

The City approved the Industrial Board's issuance of bonds, not to exceed $33,685,000, for the construction of the Civic Arts Center. The lease obligates the City to pay annually an amount not to exceed 71.43% of the rental payments due, which rental payments shall be an amount equal to a percentage of the principal of and premium, if any, and interest on the Bonds approved under the resolution. The resolution also authorizes the City to levy and collect a direct annual tax sufficient, with any other funds available and pledged, to pay the rental payments due under the lease.

The Industrial Board entered into a fifty (50) year lease with Maryville College to lease the land on which the Civic Arts Center is to be constructed. At the end of the fifty year lease, the Civic Arts Center becomes the property of Maryville College.

Maryville College has committed a total of $18,000,000 toward the debt service of the bonds. Any amounts paid will reduce the City of Maryville's obligation under the lease. If Maryville College fulfills its commitment, the City's Lease Obligation would be reduced by $12,857,400.

Interest Rate Risk – Bonds in the amount of $32,000,000 were issued by the IDB on December 14, 2006. The City's allocation of the 2006 Bonds were refunded on June 16, 2009, by 2009A Bonds issued in the amount of $23,075,000. Similar to the 2006 Bonds, the 2009A Bonds bear interest at a variable rate. The 2012-2030 maturities of the 2009A Bonds were converted to fixed rate bonds – named 2009C Bonds – on November 15, 2011 with rates between 3% and 5%. As of June 30, 2016, the outstanding par amount of the fixed rate 2009C Bonds is $11,590,000. The 2009A Bonds were retired by the City during the fiscal year ended June 30, 2016.

The outstanding 2009C Bonds were converted to fixed rate and do not convey interest rate risk for the City.

(B) COMMUNICATIONS EQUIPMENT

On August 3, 2010, and subsequently modified on October 21, 2010, the City entered into an inter-governmental agreement with Blount County, Tennessee, and the City of Alcoa, Tennessee to acquire certain emergency communications equipment. Under the agreement, Blount County, Tennessee is the Lessee of the equipment. In turn the County subleased to the cities of Maryville and Alcoa their prorata share of the equipment. The terms of the agreement require the City to make lease payments of $918,996 plus interest at 3.97%. Title to the equipment will transfer to each governmental entity based upon its share of the actual equipment acquired.

Changes in Capital lease obligations for the year ended June 30, 2016 is as follows:

Capital Lease Obligation 7/1/2015	New Leases Acquired	Payments on Lease Obligations	Capital Lease Obligation 6/30/2016
$ 20,593,645	$ -	$ 9,507,723	$ 11,085,922

The following presents a summary of the Capital Lease Commitments as of June 30, 2016:

Present Value Of Minimum Lease Payments	Interest	Total Minimum Lease Payments
$ 12,094,078	$ 4,035,114	$ 16,129,192

(Continued)

NOTE 18- CAPITAL LEASE OBLIGATIONS (Continued):

These total minimum lease payments are payable as follows:

Year Ended June 30,	Amount
2017	$ 1,193,134
2018	1,194,233
2019	1,209,733
2020	1,224,183
2021	1,237,584
Subtotal	6,058,867
2022 – 2026	5,710,825
2027 – 2031	4,359,500
Subtotal	10,070,325
	$ 16,129,192

NOTE 19 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 20, 2016, which is the date on which the financial statements were issued.

Proposed Future Bond Issue

On October 4, 2016, City Council adopted a resolution declaring its intent to issue bond proceeds in an amount not to exceed sixteen million dollars ($16,000,000) to restore City funds utilized for certain expenditures relating to various municipal projects. Authorization to issue bonds will require adoption by City Council of a separate bond resolution, which may occur during the second half of fiscal year 2017.

Pension for Joint Ventures of the City of Maryville

On October 4, 2016, City Council adopted a resolution authorizing the Parks and Recreation Commission of Maryville, Alcoa, and Blount County to participate in the Tennessee Consolidated Retirement System ("TCRS"), subject to the approval of the TCRS Board of Trustees which occurred on November 18, 2016. On November 3, 2016, the Board of the Emergency Communications District (E-911) of Blount County adopted a similar resolution authorizing its participation in TCRS and was approved by the TCRS Board of Trustees on November 18, 2016.

The effective date of TCRS participation for both the Parks and Recreation Commission and the Emergency Communications District is December 1, 2016. TCRS service credits earned by full time employees prior to December 1, 2016, will be transferred to the respective new accounts of each utility.

Copies of the complete financial statements of the City for the current Fiscal Year are available at http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx