NEW ISSUE
Book-Entry-Only

Ratings: Moody's: "Aa3 with Positive Outlook"
S&P: "AA+"

PRELIMINARY OFFICIAL STATEMENT

$24,000,000*
CITY OF MARYVILLE, TENNESSEE
General Obligation Bonds, Series 2018

OFFERED FOR SALE NOT SOONER THAN
Tuesday, May 8, 2018 at 10:15 A.M. E.D.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

April 27, 2018

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 27, 2018

NEW ISSUE
BOOK-ENTRY-ONLY

Ratings: Moody's: "Aa3 with Positive Outlook"
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. 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, City and municipal taxation in the State of Tennessee except franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$24,000,000*
CITY OF MARYVILLE, TENNESSEE
General Obligation Bonds, Series 2018

Dated: Date of Delivery (assume June 1, 2018) Due: June 1 (as indicated below)

The $24,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City of Maryville, Tennessee (the "City") shall be issued as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 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 Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

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

Maturity (June 1)	Amount*	Interest Rate	Yield	CUSIPS **	Maturity (June 1)	Amount*	Interest Rate	Yield	CUSIPS **
2021	$ 920,000				2031	$ 1,185,000			
2022	930,000				2032	1,215,000			
2023	960,000				2033	1,255,000			
2024	985,000				2034	1,290,000			
2025	1,000,000				2035	1,350,000			
2026	1,030,000				2036	1,390,000			
2027	1,050,000				2037	1,440,000			
2028	1,080,000				2038	1,490,000			
2029	1,015,000				2039	1,555,000			
2030	1,150,000				2040	1,610,000			

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Kizer & Black Attorneys, PLLC, counsel to the City. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about June __, 2018.

Cumberland Securities Company, Inc.
Financial Advisor

May __, 2018

* Preliminary, subject to change.

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

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

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

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

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

CITY OF MARYVILLE, TENNESSEE

OFFICIALS

Honorable Thomas W. Taylor	*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

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT
City of Maryville

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.....................................	The $24,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City, dated the date of delivery (estimated to be June 1, 2018). The Bonds will mature each June 1 beginning June 1, 2021 through June 1, 2040, inclusive, See the section herein entitled "SECURITIES OFFERED – Authority and Purpose".
Security..	The Bonds are payable from taxes to be levied on all taxable property in said Issuer without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City of Maryville, Tennessee are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of financing, in whole or in part, (i) the improvement and extension of the electric distribution system of the Municipality, (ii) the improvement and extension of the water and sewer system of the Municipality, (iii) the acquisition, construction, improvement and/or equipping of schools, roads, streets, parking facilities and park facilities; (iv) the acquisition of all property, real or personal, appurtenant thereto, or connected with such public works projects; (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; and (vi) payment of costs incident to the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 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. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS-Tax Matters" and APPENDIX A (form of opinion) included herein.
Rating...	Moody's : "Aa3 with Positive Outlook", and S&P: "AA+". See the section entitled "MISCELLANEOUS - Ratings" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor, Related Parties; Other" herein.
Underwriter...................................	________________________________.
Book-Entry-Only...........................	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book-Entry 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, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information .... The information in this *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact Mr. Mike Swift, Finance Director, 406 W. Broadway Avenue, Maryville, Tennessee 347801, Telephone: (865) 273-3479; 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

	2013	2014	2015	2016	2017
Beginning Fund Balance	$ 6,578,428	$ 6,996,507	$ 7,794,799	$ 8,720,364	$ 8,505,607
Revenues	31,655,646	32,795,350	35,669,557	37,716,523	38,609,341
Expenditures	18,018,092	18,544,532	20,350,479	22,617,748	21,262,717
Other Financing Sources:					
Transfers In	1,449,365	1,472,437	1,492,314	1,570,642	1,623,795
Transfers Out	(14,555,707)	(14,811,830)	(15,772,694)	(16,771,041)	(16,859,775)
Bond/Note/Lease Proceeds	(113,133)	(113,133)	(113,133)	(113,133)	(113,133)
Adjustments	-	-	-	-	-
Ending Fund Balance	**$ 6,996,507**	**$ 7,794,799**	**$ 8,720,364**	**$8,505,607**	**$10,543,117**

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

SUMMARY NOTICE OF SALE

$24,000,000*

CITY OF MARYVILLE, TENNESSEE

General Obligation Bonds, Series 2018

NOTICE IS HEREBY GIVEN that the Mayor of the City of Maryville, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.D.T.** on **Tuesday, May 8, 2018** for the purchase of all, but not less than all, of the City's $24,000,000* General Obligation Bonds, Series 2018 (the "Bonds"). Electronic bids must be submitted through ***PARITY®*** as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the City's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY®*** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours' notice via Bloomberg News Service and/or the ***PARITY®*** System.

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

The Bonds will be issued in book-entry form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume June 1, 2018). The Bonds will mature on June 1 in the years 2021 through 2040, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2018, and will be subject to optional redemption prior to maturity on or after June 1, 2023 at the redemption price of par plus accrued interest. Bidders must bid not less than ninety-nine percent (99.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims, PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum.

In the event that the competitive sale requirements are not satisfied, 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., Knoxville, Tennessee (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

* Preliminary, subject to change.

DETAILED NOTICE OF SALE

$24,000,000*
CITY OF MARYVILLE, TENNESSEE
General Obligation Bonds, Series 2018

NOTICE IS HEREBY GIVEN that the Mayor of the City of Maryville, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.D.T.** on **Tuesday, May 8, 2018** for the purchase of all, but not less than all, of the City's $24,000,000* General Obligation Bonds, 2016 (the "Bonds"). Electronic bids must be submitted through ***PARITY®*** as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the City's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY®*** System not later than 9:30 a.m., Eastern Daylight 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 book-entry-only form without coupons and will 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. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2018. The Bonds will mature and be payable on June 1 of each year as follows:

YEAR (JUNE 1)	AMOUNT*	YEAR (JUNE 1)	AMOUNT*
2021	$ 920,000	2031	$ 1,185,000
2022	930,000	2032	1,215,000
2023	960,000	2033	1,255,000
2024	985,000	2034	1,290,000
2025	1,000,000	2035	1,350,000
2026	1,030,000	2036	1,390,000
2027	1,050,000	2037	1,440,000
2028	1,080,000	2038	1,490,000
2029	1,015,000	2039	1,555,000
2030	1,150,000	2040	1,610,000

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity (the "Bond Certificates"), 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 "DTC Participants" or "Participants of DTC"). The successful bidder, as a condition to delivery of the Bonds,

* Preliminary, subject to change.

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 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.

<u>Security Pledged</u>. The Bonds are payable from taxes to be levied on all taxable property within the corporate limit of the Issuer without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City of Maryville, Tennessee are irrevocably pledged.

<u>Purpose</u>. The Bonds are being issued for the purpose of financing, in whole or in part, (i) the improvement and extension of the electric distribution system of the Municipality, (ii) the improvement and extension of the water and sewer system of the Municipality, (iii) the acquisition, construction, improvement and/or equipping of schools, roads, streets, parking facilities and park facilities; (iv) the acquisition of all property, real or personal, appurtenant thereto, or connected with such public works projects; (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; and (vi) payment of costs incident to the issuance and sale of the Bonds.

<u>Optional Redemption</u>. The Bonds maturing on June 1, 2027, and thereafter, will be subject to optional redemption prior to maturity at the option of the City on and after June 1, 2026, as a whole or part, at any time, at the redemption price of par plus accrued interest as provided herein.

<u>Term Bond Option</u>; <u>Mandatory Redemption</u>. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

<u>Bidding Instructions</u>. 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 percent (99.00%) of par or more than one hundred and twenty-five percent (125%) of par.

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

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

In the event of a system malfunction in the electronic bidding process only, bidders may submit 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 shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

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

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to $6,250,000. The primary factor in adjusting the par amount will be the amount of any 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 the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

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

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

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Financial Advisor (via 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 deposits 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 as more fully described herein. 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 underwriters 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. 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. 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 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 to 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 expected on or about June 1, 2018.

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 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.

/s/ Thomas W. Taylor, Mayor

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<u>Exhibit A to Detailed Notice of Sale</u>

CITY OF MARYVILLE, TENNESSEE
$24,000,000 GENERAL OBLIGATION BONDS, SERIES 2018
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 listed below (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 <u>Exhibit A</u> is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds including the Expected Offering Prices submitted by the Underwriter 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 an Underwriter or a related party to an 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) *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 May 8, 2018.

(e) *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).

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

The Honorable Thomas W. Taylor, Mayor May 8, 2018
404 W. Broadway Avenue
Maryville, Tennessee 37801

Dear Mayor Taylor:

For your legally issued, properly executed $24,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City of Maryville, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of ______________________________ ($______________).

The Bonds shall be dated the date of issuance (assume June 1, 2018) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	**Amount***	**Rate**	**Maturity (June 1)**	**Amount***	**Rate**
2021	$ 920,000	___	2031	$ 1,185,000	___
2022	930,000	___	2032	1,215,000	___
2023	960,000	___	2033	1,255,000	___
2024	985,000	___	2034	1,290,000	___
2025	1,000,000	___	2035	1,350,000	___
2026	1,030,000	___	2036	1,390,000	___
2027	1,050,000	___	2037	1,440,000	___
2028	1,080,000	___	2038	1,490,000	___
2029	1,015,000	___	2039	1,555,000	___
2030	1,150,000	___	2040	1,610,000	___

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

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

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

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

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.]

Accepted for and on behalf of the
City of Maryville, Tennessee, this
8 th day of May, 2018

____
Thomas W. Taylor, Mayor

Respectfully submitted,
____
____

Total interest cost from
June 1, 2018 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.

$24,000,000*
CITY OF MARYVILLE, TENNESSEE
General Obligation Bonds, Series 2018

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 $24,000,000* General Obligation Bonds, Series 2018 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated,* as amended, and other applicable provisions of the law and pursuant to resolutions adopted by the Board of Mayor and Council of the City (the "Board"). The detailed bond resolution (the "Resolution") was adopted by the Board on April 3, 2018.

The Bonds are being issued for the purpose of financing, in whole or in part, (i) the improvement and extension of the electric distribution system of the Municipality, (ii) the improvement and extension of the water and sewer system of the Municipality, (iii) the acquisition, construction, improvement and/or equipping of schools, roads, streets, parking facilities and park facilities; (iv) the acquisition of all property, real or personal, appurtenant thereto, or connected with such public works projects; (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; and (vi) payment of costs incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

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

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

SECURITY

The Bonds are payable from taxes to be levied on all taxable property within the corporate limits of the City without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City are irrevocably pledged.

* Preliminary, subject to change.

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

The 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 City Council 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 System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

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

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 as The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

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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. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the 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. The 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 Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository, if applicable, or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

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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 (defined 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 S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 effect 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 Issuer 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 Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, 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 Issuer, 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 deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2018 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the Municipality. The Municipality shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Financial Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the Municipality for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law to the extent permitted by applicable law.

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 of the City 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 suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds. See the subsection entitled Closing Certificates for additional information.

TAX MATTERS

Federal

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

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

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section below "CHANGES IN FEDERAL AND STATE 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 a 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 a bond premium, it should consult its tax advisor regarding the tax accounting treatment of a 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 an 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 including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Moody's Investor Services, Inc. ("Moody's") and S&P Global Ratings ("S&P") have given the Bonds the ratings of "Aa3 with Positive Outlook" 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 were offered for sale at competitive public bidding on May 8, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 27, 2018.

The successful bidder for the Bonds was an account led by __________________, _______, _______ (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $__________ (consisting of the par amount of the Bonds, less an underwriter's discount of $_________ and less an original issue discount of $__________) or ____% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

DEBT RECORD

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

ADDITIONAL DEBT

The City has authorized approximately $7,000,000 of additional debt for capital projects. The City may additionally have various public improvement needs, including but not limited to equipment and road construction and paving, which may require the authorization and issuance of additional debt.

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, 2018 (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 Underwriter 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.

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

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

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

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

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

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

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

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

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

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

12. 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;

13. 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

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

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

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

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

The City has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 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.

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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 to the City of Maryville, Tennessee (the "Issuer") in connection with the issuance of $__________ General Obligation Bonds, Series 2018, dated ____________, 2018 (the "Bonds"). 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 general obligations of the Issuer.

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

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

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. 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.

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

or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution 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
OF

CITY OF MARYVILLE, TENNESSEE

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 and near the City. 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.

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 approximately 21 non-stop destinations including Atlanta, Chicago, Dallas/Ft. Worth, Denver, New York, Orlando 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 two 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, Phoenix, Arizona, Las Vegas Nevada, Salt Lake City, Utah, San Francisco, California, and Spokane, Washington.

McGhee Tyson is served by major and regional carriers including:

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

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

Total Year	**Commercial Passengers**	**Total Air Cargo in Pounds**
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
2017	1,988,391	80,717,837

Source: Metropolitan Knoxville Airport Authority.

McGhee Tyson Airport has undergone many improvements in the past few years. The most recent was in 2017 when the runway and taxiway system was upgraded for $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.

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. 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 342 teachers. The spring 2018 enrollment had 5,352 students.

Source: Maryville City Schools.

The County is also home to two other school systems: The *Blount County School System* is made up of 20 public schools, including one alternative education school. Fall 2016 enrollment for Blount County schools is about 10,857 with around 715 teachers total. The District's size is about 584 square miles. *Alcoa City Schools District* is made up of about 9 square miles with four schools: one elementary, one middle school, one intermediate school and one high school with 125 teachers. The fall 2016 enrollment was about 2,013 students.

Source: Tennessee Department of Education.

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 2016 enrollment is 1,198 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 operated under a joint agreement among 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	4,439
Clayton Homes	Manufactured Housing	2,457
Blount Memorial Hospital	Healthcare	2,387
Blount County Schools	Education	1,800
McGhee Tyson Air National Guard	Airbase	1,717
Newell Brands	Manufacturer	1,500
Arconic Inc. (formerly ALCOA Inc)[2]	Aluminum Ingot, Coiled Steel	1,000
Blount County Government	Government	733
Maryville City Schools	Education	670
Wal-Mart	Retail Store	553
Accenture	Hotel Customer Service	541
Ruby Tuesday Inc.	Restaurants	485
TeamHealth Alcoa Billing	Billing	451
Massey Group	Electrical Contractor	400
Reinhart Food Service	Distribution	344
City of Maryville	Government	311
K12	Education	300
Rockford Manufacturing	Yarn & Cordage	300
City of Alcoa	Government	274
Maryville College	University	255
Peninsula Hospital	Healthcare	242
Alcoa City Schools	Education	242
Standard Aero Alliance Inc.	Aircraft Engines and Parts	221
Cornerstone of Recovery	Healthcare	214

[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 - 2018.

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EMPLOYMENT INFORMATION

For the month of February 2018, the unemployment rate for Maryville stood at 3.0% with 13,320 persons employed out of a labor force of 13,730. As of February 2018, the unemployment rate for Blount County stood at 3.5% with 60,290 persons employed out of a labor force of 62,500.

The Knoxville MSA's unemployment for February 2018 was at 3.4% with 408,260 persons employed out of a labor force of 422,510. As of February 2018, the unemployment rate in the Knoxville-Morristown-Sevierville CSA stood at 3.8%, representing 518,810 persons employed out of a workforce of 539,390.

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

	2012	2013	2014	2015	2016
National	$44,282	$44,493	$46,494	$48,451	$49,246
Tennessee	$38,778	$38,814	$40,128	$42,128	$43,326
Blount County	**$35,214**	**$35,469**	**$36,491**	**$38,282**	**$39,226**
Index vs. National	80%	80%	78%	79%	80%
Index vs. State	91%	91%	91%	91%	91%
Knoxville MSA	**$37,991**	**$37,756**	**$39,115**	**$40,921**	**$42,102**
Index vs. National	86	85	84	84	85
Index vs. State	98	97	97	97	97
Knoxville-Sevierville-Harriman CSA	**$36,337**	**$36,273**	**$37,533**	**$39,260**	**$40,417**
Index vs. National	82	82	81	81	82
Index vs. State	94	93	94	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	$184,700	$146,000	$168,000	$121,900	$190,000
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	88.2%	87.1%	89.6%
% Persons with Income Below Poverty Level	12.7%	15.8%	11.4%	23.5%	13.8%
Median Household Income	$55,322	$46,574	$49,532	$37,007	$53,090

Source: U.S. Census Bureau State & County QuickFacts - 2016.

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. There are over 150,000 visitors to the park each year. 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 2016 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.

Avant, LLC. Avant, LLC opened its new call center in an existing 25,000 square-foot building in Louisville in January 2018. This will create more than 200 new jobs in Louisville over the next few years. Avant, LLC is an online lending platform and leading provider of credit alternatives to middle-income consumers. The company also offers its technology solutions to bank and non-bank partners via its *Powered By Avant* product to provide an innovative digital lending experience to its customers.

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 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. Handgun maker SCCY Industries is moving its factory and headquarters from Florida to a new $22.5 million 68-acre campus in Maryville's Big Springs Industrial Park. SCCY's new Maryville location will be the company's primary manufacturing operation and also include its corporate offices. SCCY will start construction on a 75,000-square-foot plant late 2018 and will begin production in mid- to late 2019. Initially, it will have about 200 employees, hired locally, and SCCY will add 50 to 60 people per year for the following three years. The move will bring a minimum of 350 jobs to Blount County over five years. A campus of five industrial buildings, plus a "sky lodge" is planned to house visiting industry leaders and gun writers, with an outdoor shooting range. About $10 million in equipment will be moved in stages to Maryville.

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, 2017
$ 3,000,000		Loan Agreement, Series B-17-A	June 2018	Fixed		$ 215,000
34,500,000	(4)	Water and Sewer Revenue and Tax Bonds, Series 2008A	June 2038	Fixed	(2)	32,750,000
4,100,000		Water and Sewer Revenue and Tax Bonds, Series 2008B	June 2018	Fixed	(2)	210,000
14,750,000	(4)(5)	General Obligation Refunding Bonds, Series 2008C	June 2021	Fixed	(2)	1,355,000
11,540,000		General Obligation Refunding Bonds, Series 2009	June 2019	Fixed		1,860,000
16,365,000	(4)(6)	General Obligation Refunding Bonds, Series 2009B	June 2024	Fixed	(2)	16,365,000
2,785,000	(7)	General Obligation Refunding Bonds, Series 2009C (Taxable)	June 2019	Fixed	(2)	2,060,000
18,720,000	(8)	Qualified School Construction Bonds, Series 2009	June 2027	Fixed		10,640,650
14,355,000	(9)	Lease Agreement, Series 2009C (Civic Arts Center- Maryville's Portion)	June 2030	Fixed		10,960,000
2,500,000		General Obligation Bonds, Series 2010	June 2025	Fixed	(2)	1,460,000
14,170,000	(4)	General Obligation Refunding Bonds, Series 2010B	June 2030	Fixed		14,170,000
2,304,000		Loan Agreement, Series 2011 (EESI Loan)	June 2031	Fixed	(2)	1,709,376
9,855,000		General Obligation Refunding Bonds, Series 2015	June 2035	Fixed		9,855,000
3,350,000		General Obligation Refunding Bonds, Series 2016	June 2029	Fixed		3,200,000
6,175,000		General Obligation Refunding Bonds, Series 2016B	June 2023	Fixed	(2)	6,145,000
$ 158,469,000		**TOTAL BONDED DEBT**				$ 112,955,026
		ISSUED AFTER JUNE 30, 2017				
		Plus: General Obligation Refunding Bonds, Series 2017A	June 2030	Fixed		27,795,000
		Plus: General Obligation Refunding Bonds, Series 2017B	June 2038	Fixed		31,800,000
		Less: Refunded Debt		Fixed		(62,530,000)
		Less: Revenue-Supported Debt				(46,617,376)
		NET BONDED DEBT - POST JUNE 30, 2017				$ 63,402,650
		CURRENT BOND ISSUE				
	(10)	Plus: General Obligation Bonds, Series 2018	June 2040	Fixed		24,000,000
		Less: Revenue-Supported Debt				(6,000,000)
		NET BONDED DEBT - POST ISSUANCE				$ 81,402,650

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) On December 1, 2017, the Series 2017A & Series 2017B Bonds are defeased the Series 2008A Bonds maturing June 1, 2019 and thereafter, the Series 2008C Bonds maturing June 1, 2019 and thereafter, the Series 2009B Bonds maturing June 1, 2020 and thereafter and the Series 2010B Bonds maturing June 1, 2024 and thereafter.

(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 $8,079,350 in Loan Repayments, leaving only $10,640,650 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.

(10) $3,000,000 of the Series 2018 Bonds are additionally payable from the revenues of the Electric System, and $3,000,000 of the Series 2018 Bonds are additionallly payable from the revenues of the Water and Sewer System.

CITY OF MARYVILLE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

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

	For Fiscal Year Ending June 30					After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	$85,103,417	$84,877,268	$81,189,164	$69,503,060	$65,444,956	$81,402,650
TOTAL TAX SUPPORTED	$85,103,417	$84,877,268	$81,189,164	$69,503,060	$65,444,956	$81,402,650
REVENUE SUPPORTED						
Water & Sewer Revenue Bonds & Notes	$49,313,884	$47,940,856	$46,525,788	$45,178,644	$43,615,376	$45,625,376
Electric Revenue Bonds & Notes	6,845,000	6,195,000	5,520,000	4,738,000	3,992,000	6,992,000
TOTAL REVENUE SUPPORTED	$56,158,884	$54,135,856	$52,045,788	$49,916,644	$47,607,376	$52,617,376
TOTAL DEBT	$141,262,301	$139,013,124	$133,234,952	$119,419,704	$113,052,332	$134,020,026
Less: Revenue Supported Debt	($56,158,884)	($54,135,856)	($52,045,788)	($49,916,644)	($47,607,376)	($52,617,376)
Less: Debt Service Fund	(8,009,035)	(8,010,894)	(8,025,225)	(243,669)	(107,343)	(107,343)
NET DIRECT DEBT	$77,094,382	$76,866,374	$73,163,939	$69,259,391	$65,337,613	$81,295,307

PROPERTY TAX BASE						
Estimated Actual Value	$2,730,641,244	$2,766,724,572	$2,877,221,057	$2,992,756,588	$3,063,208,379	$3,063,208,379
Appraised Value	2,730,641,244	2,766,724,572	2,877,221,057	2,992,756,588	3,063,208,379	3,063,208,379
Assessed Value	798,045,864	810,407,359	844,122,768	899,200,255	920,936,943	920,936,943

Source: Tax Aggregate Report.

DEBT RATIOS	For Fiscal Year Ending June 30 2013	2014	2015	2016	2017	After Issuance 2018
TOTAL DEBT to Estimated Actual Value	5.17%	5.02%	4.63%	3.99%	3.69%	4.38%
TOTAL DEBT to Appraised Value	5.17%	5.02%	4.63%	3.99%	3.69%	4.38%
TOTAL DEBT to Assessed Value	17.70%	17.15%	15.78%	13.28%	12.28%	14.55%
NET DIRECT DEBT to Estimated Actual Value	2.82%	2.78%	2.54%	2.31%	2.13%	2.65%
NET DIRECT DEBT to Appraised Value	2.82%	2.78%	2.54%	2.31%	2.13%	2.65%
NET DIRECT DEBT to Assessed Value	9.66%	9.48%	8.67%	7.70%	7.09%	8.83%
PER CAPITA RATIOS						
POPULATION (1)	27,992	28,329	28,464	28,703	28,703	28,703
PER CAPITA PERSONAL INCOME (2)	$35,469	$36,491	$38,282	$39,226	$39,226	$39,226
Estimated Actual Value to POPULATION	97,551	97,664	101,083	104,266	106,721	106,721
Assessed Value to POPULATION	28,510	28,607	29,656	31,328	32,085	32,085
Total Debt to POPULATION	5,047	4,907	4,681	4,161	3,939	4,669
Net Direct Debt to POPULATION	2,754	2,713	2,570	2,413	2,276	2,832
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	14.23%	13.45%	12.23%	10.61%	10.04%	11.90%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	7.76%	7.44%	6.71%	6.15%	5.80%	7.22%

(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) - Post 2017A&B Issuance					General Obligation Bonds, Series 2018			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 (3)	Sinking Fund on QSCB 2009	State Admin Fees & Sinking Fund	TOTAL	Repaid
2018	$ 2,652,694	$ 2,307,207	$ 1,070,798	$ 74,880	$ 6,105,579	$ -	$ -	$ -	$ 2,652,694	$ 2,307,207	$ 1,070,798	$ 74,880	$ 6,105,579	3.26%
2019	2,877,000	2,197,387	1,168,104	74,880	6,317,371	-	565,796	565,796	2,877,000	2,763,183	1,168,104	74,880	6,883,167	
2020	3,324,000	2,086,252	1,168,104	74,880	6,653,236	-	565,796	565,796	3,324,000	2,652,048	1,168,104	74,880	7,219,032	
2021	3,511,000	1,942,032	1,168,104	74,880	6,696,016	690,000	565,796	1,255,796	4,201,000	2,507,828	1,168,104	74,880	7,951,812	
2022	3,113,000	1,787,902	1,168,104	74,880	6,143,886	700,000	550,961	1,250,961	3,813,000	2,338,863	1,168,104	74,880	7,394,847	20.72%
2023	3,257,000	1,660,442	1,168,104	74,880	6,160,426	720,000	535,211	1,255,211	3,977,000	2,195,653	1,168,104	74,880	7,415,637	
2024	3,395,000	1,517,902	1,168,104	74,880	6,155,886	735,000	518,291	1,253,291	4,130,000	2,036,193	1,168,104	74,880	7,409,177	
2025	3,425,000	1,361,402	1,168,104	74,880	6,029,386	750,000	500,651	1,250,651	4,175,000	1,862,053	1,168,104	74,880	7,280,037	
2026	3,445,000	1,218,277	1,283,014	74,880	6,021,171	770,000	481,901	1,251,901	4,215,000	1,700,178	1,283,014	74,880	7,273,072	
2027	14,262,956	813,578	110,110	(10,731,716)	4,454,928	790,000	461,881	1,251,881	15,052,956	1,275,459	110,110	(10,731,716)	5,706,809	59.48%
2028	3,620,000	627,194	-	-	4,247,194	810,000	440,551	1,250,551	4,430,000	1,067,745	-	-	5,497,745	
2029	3,720,000	517,419	-	-	4,237,419	835,000	418,276	1,253,276	4,555,000	935,695	-	-	5,490,695	
2030	3,825,000	400,300	-	-	4,225,300	860,000	394,479	1,254,479	4,685,000	794,779	-	-	5,479,779	
2031	2,075,000	269,250	-	-	2,344,250	885,000	368,679	1,253,679	2,960,000	637,929	-	-	3,597,929	
2032	2,150,000	207,000	-	-	2,357,000	915,000	340,359	1,255,359	3,065,000	547,359	-	-	3,612,359	83.67%
2033	2,300,000	142,500	-	-	2,442,500	945,000	310,621	1,255,621	3,245,000	453,121	-	-	3,698,121	
2034	2,090,000	73,500	-	-	2,163,500	970,000	279,436	1,249,436	3,060,000	352,936	-	-	3,412,936	
2035	360,000	10,800	-	-	370,800	1,010,000	246,456	1,256,456	1,370,000	257,256	-	-	1,627,256	
2036	-	-	-	-	-	1,040,000	211,106	1,251,106	1,040,000	211,106	-	-	1,251,106	94.38%
2037	-	-	-	-	-	1,080,000	173,666	1,253,666	1,080,000	173,666	-	-	1,253,666	95.71%
2038	-	-	-	-	-	1,120,000	133,706	1,253,706	1,120,000	133,706	-	-	1,253,706	97.08%
2039	-	-	-	-	-	1,165,000	91,146	1,256,146	1,165,000	91,146	-	-	1,256,146	98.51%
2040	-	-	-	-	-	1,210,000	46,585	1,256,585	1,210,000	46,585	-	-	1,256,585	100.00%
	$ 63,402,650	$ 19,140,342	$ 10,640,650	$ (10,057,796)	$ 83,125,846	$ 18,000,000	$ 8,201,354	$ 26,201,354	$ 81,402,650	$ 27,341,696	$ 10,640,650	$ (10,057,796)	$ 109,327,200	

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 Qaulified 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 3.45%.

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

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) - Post 2017A&B Issuance Principal	Interest	TOTAL	General Obligation Bonds, Series 2018 Principal	Interest (2)	TOTAL	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% Principal Repaid
2018	$ 1,648,440	$ 1,689,506	$ 3,337,946	$ -	$ -	$ -	$ 1,648,440	$ 1,689,506	$ 3,337,946	3.61%
2019	1,760,648	1,429,596	3,190,244	-	94,276	94,276	1,760,648	1,523,872	3,284,520	
2020	1,739,916	1,355,764	3,095,680	-	94,276	94,276	1,739,916	1,450,040	3,189,956	
2021	1,871,220	1,276,887	3,148,107	115,000	94,276	209,276	1,986,220	1,371,163	3,357,383	
2022	1,972,572	1,191,693	3,164,265	115,000	91,804	206,804	2,087,572	1,283,496	3,371,068	
2023	1,710,972	1,104,299	2,815,271	120,000	89,216	209,216	1,830,972	1,193,516	3,024,488	24.23%
2024	1,830,432	1,030,386	2,860,818	125,000	86,396	211,396	1,955,432	1,116,782	3,072,214	
2025	1,897,940	950,781	2,848,721	125,000	83,396	208,396	2,022,940	1,034,177	3,057,117	
2026	1,975,496	867,875	2,843,371	130,000	80,271	210,271	2,105,496	948,146	3,053,642	
2027	2,108,100	781,465	2,889,565	130,000	76,891	206,891	2,238,100	858,356	3,096,456	
2028	2,220,764	688,951	2,909,715	135,000	73,381	208,381	2,355,764	762,332	3,118,096	42.47%
2029	1,988,488	639,969	2,628,457	140,000	69,669	209,669	2,128,488	709,638	2,838,126	
2030	2,051,260	593,136	2,644,396	145,000	65,679	210,679	2,196,260	658,815	2,855,075	
2031	2,129,128	532,854	2,661,982	150,000	61,329	211,329	2,279,128	594,183	2,873,311	
2032	2,055,000	471,600	2,526,600	150,000	56,529	206,529	2,205,000	528,129	2,733,129	
2033	2,125,000	409,950	2,534,950	155,000	51,654	206,654	2,280,000	461,604	2,741,604	71.93%
2034	2,190,000	346,200	2,536,200	160,000	46,539	206,539	2,350,000	392,739	2,742,739	
2035	2,250,000	280,500	2,530,500	170,000	41,099	211,099	2,420,000	321,599	2,741,599	
2036	2,310,000	213,000	2,523,000	175,000	35,149	210,149	2,485,000	248,149	2,733,149	
2037	2,350,000	143,700	2,493,700	180,000	28,849	208,849	2,530,000	172,549	2,702,549	93.38%
2038	2,440,000	73,200	2,513,200	185,000	22,189	207,189	2,625,000	95,389	2,720,389	
2039	-	-	-	195,000	15,159	210,159	195,000	15,159	210,159	
2040	-	-	-	200,000	7,700	207,700	200,000	7,700	207,700	100.00%
	$ 42,625,376	$ 16,071,312	$ 58,696,688	$ 3,000,000	$ 1,365,726	$ 4,365,726	$ 45,625,376	$ 17,437,038	$ 63,062,414	

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 Average Coupon of 3.45%.

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

F.Y. Ended 6/30	Existing Debt - Electric System (1) - As of June 30, 2017			General Obligation Bonds, Series 2018			Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	
2018	$ 758,000	$ 130,248	$ 888,248	$ -	$ -	-	$ 758,000	$ 130,248	$ 888,248	10.84%
2019	791,000	101,120	892,120	-	94,276	94,276	791,000	195,396	986,396	
2020	817,000	77,390	894,390	-	94,276	94,276	817,000	171,666	988,666	
2021	846,000	52,668	898,668	115,000	94,276	209,276	961,000	146,944	1,107,944	
2022	185,000	26,838	211,838	115,000	91,804	206,804	300,000	118,641	418,641	51.87%
2023	190,000	20,825	210,825	120,000	89,216	209,216	310,000	110,041	420,041	
2024	200,000	14,175	214,175	125,000	86,396	211,396	325,000	100,571	425,571	
2025	205,000	7,175	212,175	125,000	83,396	208,396	330,000	90,571	420,571	
2026	-	-	-	130,000	80,271	210,271	130,000	80,271	210,271	
2027	-	-	-	130,000	76,891	206,891	130,000	76,891	206,891	69.39%
2028	-	-	-	135,000	73,381	208,381	135,000	73,381	208,381	
2029	-	-	-	140,000	69,669	209,669	140,000	69,669	209,669	
2030	-	-	-	145,000	65,679	210,679	145,000	65,679	210,679	
2031	-	-	-	150,000	61,329	211,329	150,000	61,329	211,329	
2032	-	-	-	150,000	56,529	206,529	150,000	56,529	206,529	79.69%
2033	-	-	-	155,000	51,654	206,654	155,000	51,654	206,654	
2034	-	-	-	160,000	46,539	206,539	160,000	46,539	206,539	
2035	-	-	-	170,000	41,099	211,099	170,000	41,099	211,099	
2036	-	-	-	175,000	35,149	210,149	175,000	35,149	210,149	
2037	-	-	-	180,000	28,849	208,849	180,000	28,849	208,849	91.70%
2038	-	-	-	185,000	22,189	207,189	185,000	22,189	207,189	
2039	-	-	-	195,000	15,159	210,159	195,000	15,159	210,159	
2040	-	-	-	200,000	7,700	207,700	200,000	7,700	207,700	100.00%
	$ 3,992,000	$ 430,438	$ 4,422,438	$ 3,000,000	$ 1,365,726	$ 4,365,726	$ 6,992,000	$ 1,796,164	$ 8,788,164	

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 Average Coupon of 3.45%.

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	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental Funds:					
General	$ 6,996,507	$ 7,794,799	$ 8,720,364	$ 8,505,607	$10,543,117
General Purpose Schools	5,104,047	6,927,316	7,940,344	7,273,369	7,113,520
Debt Service	8,009,035	8,010,894	8,025,226	243,669	107,343
Other Governmental	4,892,159	4,360,622	4,784,711	4,980,335	6,471,028
Total	**$24,911,748**	**$27,093,631**	**$29,470,645**	**$21,002,980**	**$24,235,008**
Proprietary Net Assets:					
Electric Dept	$36,818,824	$38,499,487	$38,894,690	$ 40,179,609	$ 42,127,542
Water Dept	51,361,040	52,964,348	54,225,096	57,284,773	59,162,273
Stormwater*	1,772,577	2,073,971	2,553,951	3,020,876	-
Internal Service Funds	3,456,016	3,154,061	3,558,210	3,400,722	2,603,072
Total	**$93,408,457**	**$96,691,867**	**$99,231,947**	**$103,885,980**	**$103,892,887**

Source: Comprehensive Annual Financial Reports of the City of Maryville, Tennessee.
* Stormwater Utility was reclassified as a Special Revenue Fund (Governmental Fund) as of July 1, 2016.

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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

	2013	2014	2015	2016	2017
Revenues:					
Local taxes	$ 28,239,030	$ 29,103,483	$ 31,546,926	$ 33,292,995	$ 33,669,713
Licenses and Permits	29,451	28,728	27,851	29,842	29,935
Intergovernmental Revenue	2,504,937	2,809,045	2,874,560	3,188,399	3,314,634
Charges for Services	720,529	701,739	930,927	954,404	1,245,833
Fines and Forfeits	71,776	73,044	52,595	51,440	60,058
Investment Income	57,230	57,409	51,006	43,947	81,199
Other Revenues	32,693	21,902	185,692	155,496	207,968
Total Revenues	$ 31,655,646	$ 32,795,350	$ 35,669,557	$ 37,716,523	$ 38,609,340
Expenditures and Other Uses:					
General Government	$ 2,106,878	$ 2,327,219	$ 3,353,544	$ 4,485,164	$ 2,718,314
Public Safety	7,853,986	8,141,830	8,485,447	9,051,777	9,169,750
Public Works	5,533,240	5,605,476	5,696,625	5,975,873	6,372,024
Recreation and Parks	1,383,625	1,397,496	1,425,576	1,491,658	1,534,217
Nondepartmental Costs	1,014,323	1,018,871	1,292,612	1,534,431	1,416,055
Capital Projects	126,040	53,640	96,675	78,845	165,490
Total Expenditures	$ 18,018,092	$ 18,544,532	$ 20,350,479	$ 22,617,748	$ 21,375,850
Excess of Revenues & Over (under) Expenditures	$ 13,637,554	$ 14,250,818	$ 15,319,078	$ 15,098,775	$ 17,233,490
Other Financing Sources (Uses):					
Interfund Transfers - In	$ 1,449,365	$ 1,472,437	$ 1,492,314	$ 1,570,642	$ 1,623,795
Interfund Transfers - Out	(14,555,707)	(14,811,830)	(15,772,694)	(16,771,041)	(16,819,775)
Capitalized Lease	(113,133)	(113,133)	(113,133)	(113,133)	-
Total Other Financing Sources (Uses)	$ (13,219,475)	$ (13,452,526)	$ (14,393,513)	$ (15,313,532)	$ (15,195,980)
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	$ 418,079	$ 798,292	$ 925,565	$ (214,757)	$ 2,037,510
Fund Balance July 1	6,578,428	6,996,507	7,794,799	8,720,364	8,505,607
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	**$ 6,996,507**	**$ 7,794,799**	**$ 8,720,364**	**$ 8,505,607**	**$ 10,543,117**

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

	2013	2014	2015	2016	2017
Revenues:					
Metered Water Sales	$ 4,934,756	$ 5,139,105	$ 5,069,858	$ 5,203,985	$ 5,332,652
Sewer Sales	6,425,756	6,849,430	6,797,711	7,078,118	7,081,562
Forfeited Discounts	89,097	94,462	94,640	95,145	90,993
Rent from Water Property	125,771	131,363	138,817	118,434	134,533
Miscellaneous	488,209	454,916	672,069	692,465	678,171
Connection Charges	19,610	18,280	18,250	17,790	34,320
City of Alcoa - WWTP Debt Share	839,453	833,829	772,990	767,740	853,263
City of Alcoa - Sewage Treatment	1,279,985	1,288,600	1,172,644	1,158,806	784,746
Knox - Chapman Utility District	95,024	95,024	95,024	79,710	79,710
Total Revenues	$ 14,297,661	$ 14,905,009	$ 14,832,003	$ 15,212,193	$ 15,069,949
Expenses:					
Direct Operating Expense	$ 4,911,491	$ 5,214,512	$ 5,015,900	$ 4,924,343	$ 5,470,182
Customer Accounting and Collection	904,606	952,686	1,022,458	1,052,583	1,208,697
Administrative and General	1,234,327	1,320,716	1,500,779	1,529,770	1,792,980
Depreciation and Amortization	3,160,018	3,230,550	3,266,256	3,348,567	3,479,603
Total Expenses	$ 10,210,442	$ 10,718,464	$ 10,805,393	$ 10,855,263	$ 11,951,462
Operating Income	$ 4,087,219	$ 4,186,545	$ 4,026,610	$ 4,356,930	$ 3,118,487
Non-Operating Revenues (Expenses):					
Interest Earned	$ 10,129	$ 7,390	$ 8,008	$ 21,782	$ 43,527
Amortization of Debt Expense	(159,270)	(154,650)	(146,223)	(239,831)	(146,459)
Gain on Sale of Capital Assets	28,019	30,983	69,101	75,493	186,001
Total Non-Operating Revenues (Expenses)	(121,122)	(116,277)	(69,114)	(142,556)	83,069
Income Before Interest Expense	3,966,097	4,070,268	3,957,496	4,214,374	3,201,556
Interest Expense	(2,226,620)	(2,135,335)	(2,076,019)	(2,012,161)	(1,941,871)
Net Income Befor Contributions and Transfers	$ 1,739,477	$ 1,934,933	$ 1,881,477	$ 2,202,213	$ 1,259,685
Capital Contributions	491,035	157,413	541,280	1,352,422	1,139,691
Payments in Lieu of Taxes	(502,179)	(489,038)	(499,574)	(494,958)	(521,876)
Change in Net Position	$ 1,728,333	$ 1,603,308	$ 1,923,183	$ 3,059,677	$ 1,877,500
Net Position - July 1	49,632,707	51,361,040	52,964,348	54,225,096	57,284,773
Restatement of beginning Net Position	-	-	(662,435)	-	-
Net Assets - June 30	**$ 51,361,040**	**$ 52,964,348**	**$ 54,225,096**	**$ 57,284,773**	**$ 59,162,273**

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

	2013	2014	2015	2016	2017
Revenues:					
Residential	$ 23,750,999	$ 24,163,115	$ 24,391,003	$ 23,312,698	$ 25,365,847
Small lighting and power sales	5,422,048	5,461,590	5,325,767	5,177,691	5,445,257
Large lighting and power sales	32,943,612	33,768,281	34,315,541	35,522,687	36,827,855
Electric sales growth credit	(114,794)	(194,023)	(242,398)	(443,779)	(545,774)
Street and outdoor	1,107,119	1,102,120	1,142,656	1,176,950	1,174,516
Total Charges for Service	$ 63,108,984	$ 64,301,083	$ 64,932,569	$ 64,746,247	$ 68,267,701
Consumer forfeitures and discounts	$ 352,208	$ 393,050	$ 376,361	$ 375,361	$ 375,599
Rent from electric property	396,812	144,966	144,121	143,471	498,923
Other electric revenue	1,005	434,352	598,380	485,453	159,742
Miscellaneous service revenue	133,282	607	(1,766)	1,306	862
Total Revenues	$ 63,992,291	$ 65,274,058	$ 66,049,665	$ 65,751,838	$ 69,302,827
Purchased Power	$ 52,912,312	$ 54,460,560	$ 55,490,463	$ 54,708,949	$ 56,938,765
Operating Expenses:					
Transmission expenses	$ 5,673	$ 15,563	$ 9,650	$ 14,660	$ 17,560
Distribution expenses	1,104,815	1,191,951	1,125,439	1,248,228	1,345,823
Customer account expenses	619,662	640,203	679,765	705,287	735,557
Sales expense	108,671	107,913	133,496	110,779	132,968
Administrative and general expense	1,693,236	1,846,764	1,861,881	1,930,766	2,314,299
Total Operating Expenses	$ 3,532,057	$ 3,802,394	$ 3,810,231	$ 4,009,720	$ 4,546,207
Maintenance Expenses:					
Transmission expenses	$ 52,509	$ 45,953	$ 50,396	$ 64,414	$ 72,542
Distribution expenses	1,349,592	1,408,220	1,447,873	1,588,105	1,709,705
Administrative and general expense	4,639	5,492	6,294	19,539	23,340
Total Maintenance Expenses	$ 1,406,740	$ 1,459,665	$ 1,504,563	$ 1,672,058	$ 1,805,587
Other Operating Expenses:					
Depreciation expenses	$ 2,069,861	$ 2,161,991	$ 2,242,519	$ 2,333,126	$ 2,325,082
Taxes	1,400,971	1,452,649	1,467,255	1,582,894	1,625,362
Total Other Operating Expenses	$ 3,470,832	$ 3,614,640	$ 3,709,774	$ 3,916,020	$ 3,950,444
Operating Income	$ 2,670,350	$ 1,936,799	$ 1,534,634	$ 1,445,091	$ 2,061,824
Non-Operating Revenues (Expenses):					
Rent from non-utility property	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400
Interest Earned	11,709	7,342	6,805	14,766	29,245
Gain on sale of fixed assets	-	-	-	-	6,224
Amortization of debt expense	(38,260)	(19,332)	(19,332)	(56,213)	(37,010)
Miscellaneous	-	-	-	84,238	84,238
Total Non-Operating Revenues (Expenses)	$ (18,151)	$ (3,590)	$ (4,127)	$ 51,191	$ 6,859
Income Before Interest Expense	2,652,199	1,933,209	1,530,507	1,496,282	2,068,683
Interest Expense	(333,833)	(262,695)	(238,895)	(211,363)	(120,750)
Extraordinary Item	-	-	-	-	-
Net Income	$ 2,318,366	$ 1,670,514	$ 1,291,612	$ 1,284,919	$ 1,947,933
Retained Earnings - July 1	34,510,607	36,828,973	38,499,487	38,894,690	40,179,609
Prior Year Adjustments	-	-	(896,409)	-	-
Retained Earnings - June 30	**$ 36,828,973**	**$ 38,499,487**	**$ 38,894,690**	**$ 40,179,609**	**$ 42,127,542**

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, 2017.

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, 2017 Amount P0.0%ct**	
2012	$809,102,346	$2.17	$17,280,590	$16,729,203	96.8%	$6,784	0.0%
2013	810,407,359	2.17	17,589,610	17,153,249	97.5%	4,368	0.0%
2014	844,122,768	2.17	18,323,056	17,894,734	97.7%	12,945	0.1%
2015	899,200,255	2.17	19,512,647	19,131,633	97.9%	124,296	0.6%
2016	920,936,943	2.17	19,878,488	19,515,541	98.2%	362,947	1.8%

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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, 2017 (tax year 2016), the ten largest taxpayers in the City are as follows:

	Taxpayer	Business Type	Assessment	% of Total Assessment
1.	Denso	Manufacturing	$142,568,715	15.7%
2.	CBL & Associates	Real Estate	12,315,200	1.3%
3.	Bridgeway Properties 1, LLC	Real Estate	8,982,385	1.0%
4.	KND Real Estate 6 & 7, LLC	Real Estate	8,096,000	0.9%
5.	Wal-Mart Stores, Inc	Retail	8,026,811	0.9%
6.	Presbyterian Homes	Retirement Center	7,911,545	0.9%
7.	First Tennessee Bank	Financial	7,806,505	0.9%
8.	Camellia Trace at Mtn View	Apartments	7,520,703	0.8%
9.	Atmos Energy Corp	Natural Gas Utilities	5,418,507	0.6%
10.	Ruby Tuesday, Inc.	Restaurant	3,565,843	0.4%
	TOTAL		**$212,212,214**	**23.4%**

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 2.75%.

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 2.75%. 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 2.75%. This half-percent increase was effective on February 1, 2014. Blount County also raised its local option sales tax rate to 2.75% 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
OF

CITY OF MARYVILLE, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

CITY OF MARYVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Prepared By:

Mike Swift
City Director of Financial Services

November 10, 2017

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, 2017.

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 2017. We encourage readers to consider this transmittal letter in conjunction with the 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 south 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 a 20 minute drive while the tourism destinations of Gatlinburg, Pigeon Forge and Dollywood are located in adjacent Sevier County. The City is also home to Maryville College, a private, four year, undergraduate liberal arts institution.

With an estimated population of 28,944 residents in 2017, the City population has grown by approximately 7% in the last decade. 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 15,833 customers and wastewater collection services to 13,973 customers. Electric service is provided to another 22,547 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 5,200 students in seven schools. The Schools are funded in part by annual transfers from the General Fund. In FY 2017, 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 2017, 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 June 2017, the unemployment rate for the City was 4.0% compared to a rate of 4.0% for Blount County and 4.2% statewide, according to the Tennessee Department of Labor and Workforce Development. The unemployment rate for the City has decreased 1.0% since June 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 3,900 full time employees, has been a leading source of jobs since 1988. The County's third largest employer, Blount Memorial Hospital, with 2,572 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 36.4% of all employment.

- The assessed property value of $916.1 million reflects an increase of $15.2 million from the previous year. Assessed Real Property, including both residential and commercial/industrial categories, increased by $10.8 million to $735.5 million.

- Assessed value of Personal Property increased by 2.7%, or $4.46 million, to $166.1 million and the assessment for Public Utilities decreased by -0.5%, or $77,979, to $14.5 million.

- Total General Fund Revenues excluding in-lieu-of-tax payments increased by $892,817, or 2.4%, to $38,609,340 from FY 2016 to FY 2017. Of this amount, $369,888 resulted from increased local option sales tax revenues and $291,429 was attributed to year over year increases in charges for services.

Major Initiatives

<u>Maryville City Schools</u>

Maryville City Schools completed several significant projects in FY 2017. Listed below are highlights:

1. Culinary Arts/ Café Le Reve Building - The Maryville High School Culinary building was completed in the spring of 2017, with a long anticipated grand opening. After fully reconstructing an aging building adjacent to the high school campus, culinary and hospitality students are now receiving culinary instruction and food service experience in a world class culinary facility.

   In partnership with Blackberry Farm, one of the South's most celebrated country resorts, students are now learning to prepare and serve meals in a space designed and decorated by professionals working in that industry. Students also receive instruction in a technology enabled classroom that serves their needs perfectly. The 2017-2018 school year is the first full year of operation in this new facility, for a program that is growing rapidly.

2. Softball/Soccer Complex Improvements - At John Sevier Elementary, a team room was constructed consisting of two dressing rooms, one male and one female, for use by teams and for meetings. Other improvements include outdoor drinking fountains, an additional 79 parking spaces, and new walking path access to all fields. Total cost of the project was $340,000.

<u>General Government</u>

In fiscal year 2017, the City of Maryville began the architecture and engineering phase of 2 significant infrastructure projects.

1. Broadway Avenue and Harper Street Garage Renovations. These structures are 19 and 31 years old respectfully and are in need of extensive repair. The estimated total cost of the renovations are $1,196,481 and are expected to be completed by fiscal year 2019.

2. Extension of Robert C. Jackson Drive from 321 to Morganton Road. This project is an important step in planned economic development along the corridor with industrial development to the north and residential to the south. The estimated total cost of the development is $11,500,000 and is expected to be completed by fiscal year 2020.

Water and Wastewater System Improvements

The Water and Sewer Department completed several large water and wastewater projects in fiscal year 2017. Listed below are highlights:

1. Sewer rehabilitation and relocation work was completed in the Brown's Creek drainage area for $546,363, as well as, along Melrose Street and Centennial Church Road and in other various areas for $88,380. Additionally, the force main downstream of the Andy Harris Pump Station was relocated in conjunction with a county highway for a total of $99,258. Sewer service and manhole replacements were completed system-wide for a cost of $161,398.
2. The ongoing Sanitary Sewer Evaluation Survey (SSES) included completing rehabilitation work in the Wilkinson Basin, starting rehabilitation in A1/Brown's Creek Basin, characterization in the E2/E4 Basin, and flow monitoring in the Pistol Creek Basin for a total of $2,382,891.
3. A sewer extension project was started between existing gravity flowing into the pump station at the Blount County Industrial Park to Mt. Tabor Rd, eliminating the need for the pump station. Fiscal costs totaled $274,203. The project is expected to be completed in the fall of 2017.
4. The Regional Wastewater Treatment Plant replaced the biofilter material in the ThermAir for $161,889.
5. Water distribution system replacement took place along Melrose Street, Howard Jones Road, Cunningham Street, Neff Street and on Sunnyside between Everett and Forest as well as some valve program work and fire hydrant replacements and upgrades for a total of $321,255.
6. Water extension projects were completed along West Broadway between Houston and Sherwood, in the John Sevier Area, and along Mt. Tabor Road for a total of $382,529.
7. The Water Filtration Plant replaced the carbon media in the filters for a total of $160,510. Additionally, there was an emergency water line break in the basement of the facility which flooded the basement requiring $58,906 in maintenance and repair costs.
8. New residential and commercial services were installed for both water and sewer at a cost of $314,509 and $52,100, respectively. Additionally, $50,962 was spent to purchase meters and continue the meter maintenance program.
9. During the year several vehicles and outdated equipment were at a net expense of $522,682.

Electric System Improvements

The Electric Department completed or began several significant projects in FY 2017. Listed below are highlights:

1. Spent $178,582 for equipment replacement, including two 4x4 pick-up trucks, a forklift and an underground service truck.
2. Continued implementation of our remote communications system for our metering network (AMI) at an expense of $609,909 with $572,702 being new meters.
3. Installed new underground facilities in the amount of $191,348.
4. Replaced underground facilities in the amount of $381,888.
5. Installed new overhead facilities in the amount of $173,847.
6. Improved or replaced existing overhead facilities in the amount of $455,972.
7. New and upgraded traffic lighting was installed for a cost of $181,149.
8. Completed the transformer storage facility with fiscal expenses being $435,317 and a project total of $600,847.
9. Began the replacement of 9 distribution breakers at a cost of $116,182. The project is expected to be completed in the next fiscal year.

Engineering & Public Works Improvements

The Engineering and Public Works Department ("EPW") completed several projects in FY 2017 in the areas of Engineering, Transportation, Grounds, Solid Waste and Stormwater Management. Listed below are highlights:

1. Emergency Storm Drain System Repair under U.S. 321 (W. Lamar Alexander Pkwy.) An aging 42 inch corrugated metal pipe drainage system that carried off-site stormwater under U.S. 321 and through the municipal building property began to fail and required immediate repair at a cost of $155,000.

2. Intersection Improvements on U.S. 321(W. Lamar Alexander Pkwy.) at Robert C. Jackson Dr. The intersection improvement plan included widening of the existing eastbound left turn lane on U.S. 321 to provide dual, protected-only left turns onto Robert C. Jackson Drive at a total cost of $341,467.

3. McCammon Avenue Bank Stabilization along Pistol Creek. Work included bank stabilization for approximately 250 ft. along Pistol Creek on McCammon Avenue near the Maryville Operations Center with a total project cost of $220,000.

4. City-wide Street Re-surfacing, Street Marking, and Parking Lot Improvements. Eleven city streets, including McCammon Avenue, were re-surfaced at a cost of $228,092. A new City parking lot was constructed with 28 spaces off Jefferson Avenue at a cost of $65,610. 15 major City streets, including Foothills Mall Drive, were re-marked with highly-visible yellow and white thermoplastic pavement markings at a cost of $146,376.

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 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, 2016. 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

Michael A. Swift
Director of Financial Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Maryville

Tennessee

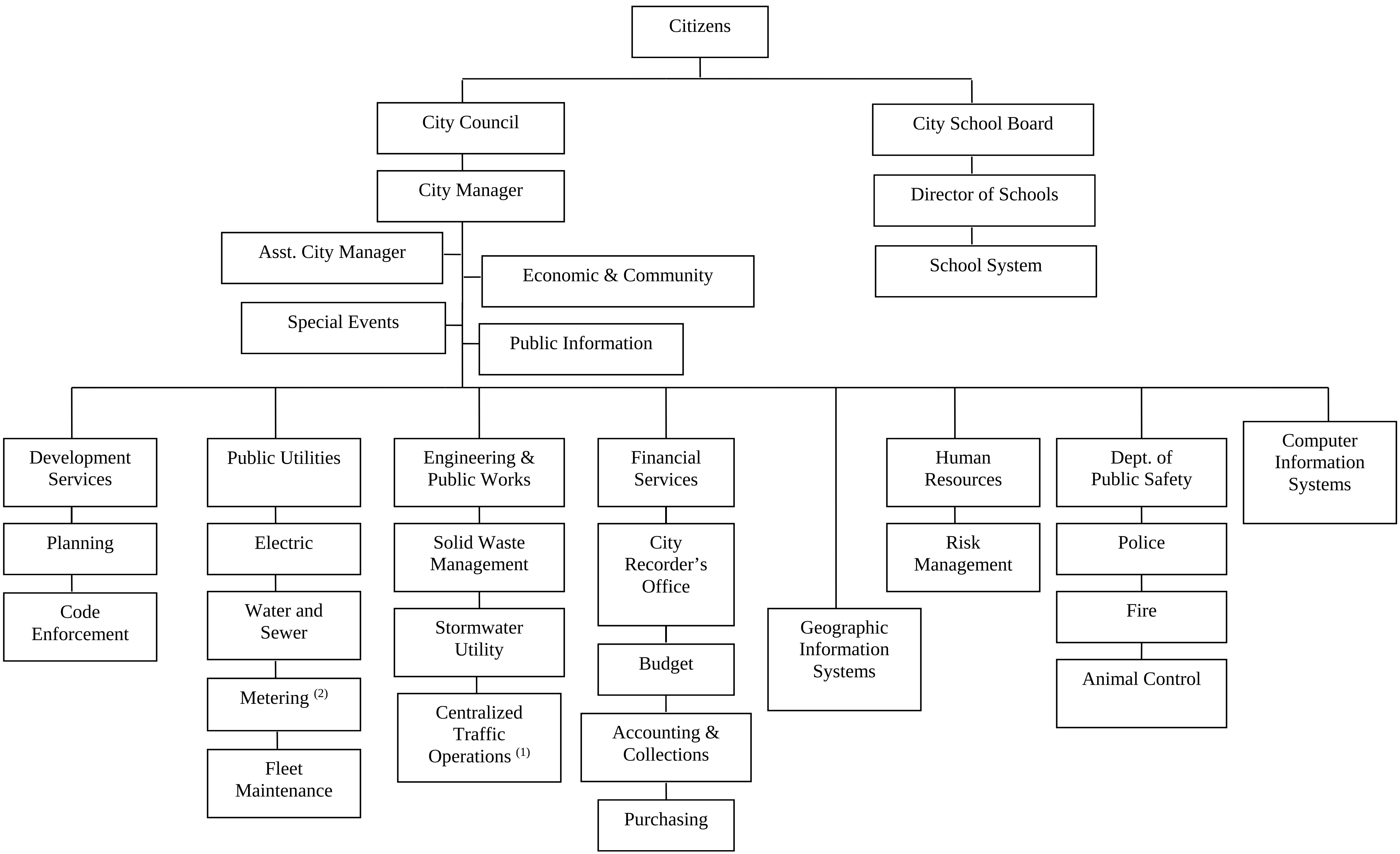
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

CITY OF MARYVILLE, TENNESSEE
Organizational Chart as of 6/30/17



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

CITY OF MARYVILLE, TENNESSEE
Principal Elected and Appointed Officials
June 30, 2017

Principal Elected and Appointed Officials

I. City Council

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

II. City School Board

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

III. City Administration

A. Greg McClain .... City Manager
B. Roger D. Campbell .... Assistant City Manager
C. Angela Luckie .... Economic and Community Director

IV. City School Administration

A. Dr. Mike Winstead .... Director of Maryville City Schools
B. Amy Vagnier .... Assistant Director of Maryville City Schools

V. Judicial/Legal Services

A. William Yarborough .... City Judge
B. Tracy Jenkins .... City Prosecuting Attorney
C. Melanie E. Davis .... 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. David Prichard .... Director of Development Services
E. Brian Boone .... Director of Engineering & Public Works
F. Terry McCoy .... Director of Information Technology
H. Baron Swafford .... Public Utility Director

(1) Per contractual agreement

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

428 Marilyn Lane
Alcoa, Tennessee 37701

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

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, 2017, 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, 2017, 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 November 10, 2017, 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
November 10, 2017

CITY of MARYVILLE
PEOPLE are the KEY

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, 2017. 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.

Financial Highlights

- The City's net position at June 30, 2017 is $190,450,330, an increase of $11,902,235. Of this amount, $21,065,853 is the unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.

- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of $24,235,008, an increase of $3,232,028 in comparison with the prior year.

- The City's General Fund reported total fund balance for General Fund of $10,543,117 at June 30, 2017, an increase of $2,037,510. This fund balance is 27.3% of total general fund revenue.

- At June 30, 20167, the City's General Purpose School Fund reported a fund balance of $7,113,520, a decrease pf $159,849 from last fiscal year. Fund balance is 17.4% of total revenue. Tennessee State Law requires schools to maintain a minimum fund balance of 3% (TCA 49-3-352).

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 plus deferred outflows and liabilities plus deferred inflows, 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 changes in the financial position of the City. 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 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, and Electric utilities.

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.

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. 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.

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..

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 net position is $190,450,330 at the close of the most recent fiscal year. This amount represents an increase of $11,902,235, or 6.7% over FY 2016. GASB Statement 68 (Accounting and Financial Reporting Related to Pensions) was implemented in FY 2015. Pension Deferrals in the amount of $12,594,436 is classified as a Deferred Outflow of Resources and Deferred Inflows of Resources includes Pension Deferrals in the amount of $5,451,089 and Deferred Revenue (primarily property taxes levied for FY 2018) in the amount of $20,779,965.

Net Position
June 30, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and other Assets	$ 54,339,454	$ 50,736,169	$ 19,481,136	$ 24,242,440	$ 73,820,590	$ 74,978,609
Capital Assets (Net)	138,885,628	135,488,826	141,265,442	139,288,466	280,151,070	274,777,292
Total Assets	193,225,082	186,224,995	160,746,578	163,530,906	353,971,660	349,755,901
Deferred Outflows of Resources:						
Pension Deferrals	11,077,454	4,309,545	1,516,982	658,200	12,594,436	4,967,745
Deferred Charges on Refunding	1,238,988	1,439,584	175,442	203,193	1,414,430	1,642,777
Total Deferred Outflows Of Resources	12,316,442	5,749,129	1,692,424	861,393	14,008,866	6,610,522
Long-Term Liabilities	75,963,022	78,580,553	51,180,844	53,574,424	127,143,866	132,154,977
Other Liabilities	14,346,592	8,984,316	9,808,684	9,929,435	24,155,276	18,913,751
Total Liabilities	90,309,614	87,564,869	60,989,528	63,503,859	151,299,142	151,068,728
Deferred Inflows of Resources:						
Deferred Revenue	20,779,965	19,670,570	-	-	20,779,965	19,670,570
Pension Deferrals	5,291,430	6,675,848	159,659	403,182	5,451,089	7,079,030
Total Deferred Inflows of Resources	26,071,395	26,346,418	159,659	403,182	26,231,054	26,749,600
Net Position:						
Net Investment in Capital Assets	71,564,059	63,845,926	93,134,803	88,750,325	164,698,862	152,596,251
Restricted	4,685,615	3,544,719	-	-	4,685,615	3,544,719
Unrestricted	12,910,841	10,672,192	8,155,012	11,734,933	21,065,853	22,407,125
Total Net Position	$ 89,160,515	$ 78,062,837	$ 101,289,815	$100,485,258	$ 190,450,330	$ 178,548,095

The largest portion of the City's net position (86%) at June 30, 2017, 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. The remaining balance of unrestricted net position of $21,065,853 may be used to meet the government's ongoing obligations to citizens and creditors. Of this, $12,910,841 is available for Governmental Activities and $8,155,012 is available for Business-Type Activities.

Governmental Activities experienced an increase of 12% year over year for Net Investment in Capital Assets. Business-Type Activities experienced an increase of 4.9% year over year for Net Investment in Capital Assets. These amounts include $2,834,214 transferred from Business-Type Activities to Governmental Activities as a result of reclassifying the Stormwater Utility from an Enterprise Fund to a Special Revenue Fund.

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, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues						
Program Revenues:						
Charges for Services	$ 6,168,818	$ 4,246,253	$ 84,372,776	$ 82,360,232	$ 90,541,594	$ 86,606,485
Operating Grants and Contributions	24,582,044	23,155,848	-	121,903	24,582,044	23,277,751
Capital Grants and Contributions	1,760,883	879,601	1,139,691	1,352,422	2,900,574	2,232,023
General Revenues:						
Sales Taxes	19,663,897	18,682,970	-	-	19,663,897	18,682,970
State Income Taxes and Excise Taxes	723,926	686,015	-	-	723,926	686,015
Property Taxes	30,943,255	29,963,302	-	-	30,943,255	29,963,302
Business Taxes	1,026,201	1,008,162	-	-	1,026,201	1,008,162
Miscellaneous Taxes	3,110,172	3,051,698	-	-	3,110,172	3,051,698
In-Lieu of Taxes	661,155	923,008	-	-	661,155	923,008
Investment Earnings	135,861	267,939	72,772	36,548	208,633	304,487
Miscellaneous Revenues	1,642,146	1,761,861	8,400	8,400	1,650,546	1,770,261
Gain on Deletion of of Capital Assets	145,167	84,798	192,225	75,493	337,392	160,291
Total Revenues	90,563,525	84,711,455	85,785,864	83,954,998	176,349,389	168,666,453
Expenses						
General Government	5,312,390	6,370,371	-	-	5,312,390	6,370,371
Public Safety	9,729,248	9,548,584	-	-	9,729,248	9,548,584
Public Works	9,423,214	7,746,805	-	-	9,423,214	7,746,805
Culture and Recreation	2,521,646	2,468,577	-	-	2,521,646	2,468,577
Economic Development	74,282	30,037	-	-	74,282	30,037
Education	54,521,274	51,022,934	-	-	54,521,274	51,022,934
Interest on Long-Term Debt	2,327,868	2,623,253	-	-	2,327,868	2,623,253
Other Debt Service	200,586	119,407	-	-	200,586	119,407
Electric	-	-	66,296,844	63,536,304	66,296,844	63,536,304
Water and Sewer	-	-	14,039,792	13,107,255	14,039,792	13,107,255
Stormwater Utility	-	-	-	1,179,276	-	1,179,276
Total Expenses	84,110,508	79,929,968	80,336,636	77,822,835	164,447,144	157,752,803
Excess of Revenues Over Expenses before Transfers	6,453,017	4,781,487	5,449,228	6,132,163	11,902,245	10,913,650
Transfers – In Lieu of Tax Payments	1,623,795	1,320,642	(1,623,795)	(1,320,642)	-	-
Change in Net Position	8,076,812	6,102,129	3,825,433	4,811,521	11,902,245	10,913,650
Net Position at Beginning of Year	78,062,837	71,960,708	100,485,258	95,673,737	178,548,095	167,634,445
Prior Period Adjustment	3,020,876	-	(3,020,876)	-	-	-
Net Position at End of Year	$ 89,160,525	$ 78,062,837	$ 101,298,815	$ 100,485,258	$ 190,450,340	$ 178,548,095

Analysis of Change in Net Position

Governmental Activities

- Governmental activities increased the City's governmental net position by $8,076,812.
- Revenue increased by 6.9%, or $5,852,070, to $90,563,525. The City's largest revenue category, property taxes, increased by $979,953, or 3.3%. Sales taxes increased by $980,927 year over year, an increase of 5.2%.
- Expenses increased by 5.2%, or $4,180,540, due primarily to increases in Education expenses of $3,498,340.

Analysis of Change in Net position (Continued)

Business-Type Activities

- Business-type activities increased the City's business-type net position by $3,825,433.
- The Electric Utility, the largest business-type activity of the City with FY 2017 total revenues of $69,346,696 and expenses of $66,296,844, experienced increased revenues and expenses from the prior year. Purchased Power expense for the utility increased by $2,229,816, or 4.1% year over year. Purchased Power expense as a % of Charges for Service decreased from 84.5% in FY 2016 to 83.4% in FY 2017. The residential customer charge for Electric service increased $2 per month beginning October 1, 2016.
- The Water and Sewer Fund concluded FY 2017 with a change in net position of $1,877,500 compared to $3,059,677 in the previous year. Total revenues decreased by $9,991, or $15,299,477 while expenses increased by $932,537, or 7.1%, to $14,039,792. The most recent Water and Wastewater rate increase was effective January 1, 2013. There was no rate increase for FY 2017.
- Total Business-Type Activities contributed transfers-in-lieu of tax payments of $1,623,795 compared to $1,320,642 in FY 2016.
- The Stormwater Utility was reclassified as a Special Revenue Fund as of July 1, 2016.

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, 2017, unassigned fund balance of the General Fund was $10,384,423. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total revenue. Unassigned fund balance represents 26.9% of total general fund expenditures.

The General Purpose School Fund is the primary operating fund for the Maryville City Schools. As of June 30, 2017, the assigned fund balance of the General Purpose School Fund was $7,113,520. Assigned fund balance represents 17.4% 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 2017, the primary revenue to the Debt Service Fund was contributions from Maryville College related to payment of debt issued for construction of the Civic Arts Center. In addition, the General Fund transferred $5,314,864 to the Debt Service Fund for debt payments. The assigned fund balance of the Debt Service Fund as of June 30, 2017, was $107,343, a decrease of $136,326 from the prior year.

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

Proprietary Funds

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

Net position of the Electric Utility as of June 30, 2017 was $42,127,542, an increase of $1,947,933 from the prior year. Operating income for the utility increased from $2,520,775 in FY 2016 to $3,163,743 in FY 2017. Charges for services increased by 5.4% and purchased power costs increased by 4.1% year over year.

Net position of the Water and Sewer Department as of June 30, 2017, was $59,162,273, an increase of $1,877,500 from June 30, 2016. Operating income for the utility decreased from $4,356,930 for FY 2016 to $3,118,487 for FY 2017. Capital Contributions (Non-Cash item) decreased from $1,352,422 in FY 2016 to $1,139,691 for FY 2017.

General Fund Budgetary Highlights

The final budget increased the original appropriation by $461,080 to $40,750,673.

Below is a summary of changes to the final budget:

Description	Revenue Amount	Appropriation Amount
Multiple revenue line items	$ 839,930	
Net Change in Use of Fund Balance	(378,850)	
Judicial/Legal	$ -	$ 2,005
Legislative	-	55,000
Public Works – Street Lighting	-	37,544
Transfer of Funds	-	300,000
Solid Waste		66,531
Total Change	$ 461,080	$ 461,080

Capital Asset and Debt Administration

Capital Assets as of June 30, 2017
Net of Depreciation

Capital Assets	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	$ 7,123,331	$ 7,012,096	$ 1,999,775	$ 2,050,822	$ 9,123,106	$ 9,062,918
Right-of-Way/Easements	122,130	122,130	-	-	122,130	122,130
Construction in Progress	3,585,599	1,718,453	3,592,928	2,547,324	7,178,527	4,265,777
Buildings	101,004,058	101,004,058	-	-	101,004,058	101,004,058
Improvements	29,295,217	27,317,468	-	-	29,295,217	27,317,468
Infrastructure	23,706,631	19,760,958	-	-	23,706,631	19,760,958
Machinery, Equipment and Vehicles	23,181,852	20,452,499	-	-	23,181,852	20,452,499
Capital Lease Property	23,075,000	24,466,663	-	-	23,075,000	24,466,663
Electric Plant	-	-	75,571,572	72,571,381	75,571,572	72,571,381
Water & Wastewater Plant	-	-	137,261,685	131,945,272	137,261,685	131,945,272
Stormwater Utility	-	-	-	3,195,653	-	3,195,653
Utility Plant Acquisition Costs	-	-	162,770	162,770	162,770	162,770
Total Capital Assets	211,093,818	201,854,325	218,588,730	212,473,222	429,682,548	414,327,547
Less: Accumulated Depreciation	72,208,190	66,365,499	79,827,102	73,184,756	152,035,292	139,550,255
Net Capital Assets	$ 138,885,628	$ 135,488,826	$ 138,761,628	$ 139,288,466	$ 277,647,256	$ 274,777,292
Net Capital Assets-Beginning	135,488,826	134,801,843	139,288,466	136,075,434	274,777,292	270,877,277
Increase (Decrease) in Net Capital Assets	3,396,802	686,983	(526,838)	3,213,032	2,869,964	3,900,015
Net Capital Assets- Ending	$ 138,885,628	$ 135,488,826	$ 138,761,628	$ 139,288,466	$ 277,647,256	$ 274,777,292

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to $277,647,256 net of accumulated depreciation, an increase of 1.0%, or $2,869,964 year over year.

Total capital assets in the Governmental Activities category increased by $9,239,493 while accumulated depreciation also increased by $5,842,691, thereby resulting in an increase in net capital assets of $3,396,802. Construction in Progress as of June 30, 2017 includes the Culinary Arts Building at Maryville High School of $1,874,315, and the Amerine Station Connector Road project for $501,165.

In the Business-Type Activities, there is an increase in Electric Plant assets of $3,000,191. Water & Wastewater Plant assets increased by $5,316,413, which includes contributed capital. The Stormwater Utility was reclassified as a Special Revenue Fund as of July 1, 2016.

Long-Term Debt

Outstanding Long-Term Obligations
June 30, 2017

Debt	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
General Obligation/Rev Bonds	$ 43,532,000	$ 45,347,000	$ 45,898,000	$ 48,103,000	$ 89,430,000	$ 93,450,000
Public Improvement Loans	215,000	660,000	-	-	215,000	660,000
TN State School Bond Authority Loan	10,640,650	11,808,749	-	-	10,640,650	11,808,749
TN State Revolving Fund Loans	-	-	1,709,376	1,813,644	1,709,376	1,813,644
Capital Lease Obligations	11,370,955	12,094,078	-	-	11,370,955	12,094,078
Premium on Bonds	1,562,964	1,733,073	523,263	621,497	2,086,227	2,354,570
Total Debt Payable	67,321,569	71,642,900	48,130,639	50,538,141	115,452,208	122,181,041
Compensated Absences	2,121,058	1,874,599	1,647,739	1,560,569	3,768,797	3,435,168
Net OPEB Obligation	6,520,395	5,304,853	1,402,466	1,233,918	7,922,861	6,538,771
Total Long Term Obligations	$ 75,963,022	$ 78,822,352	$ 51,180,844	$ 53,332,628	$ 127,143,866	$ 132,154,980

As of June 30, 2017, the City had total bonded debt outstanding of $65,758,605, 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 $47,607,106 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 October 30, 2017. The City's bond rating as assigned by Moody's Investors Service remains Aa3.

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 $137,409,556 compared to the City's outstanding debt net of fund balance held in the Debt Service Fund of $67,214,226. The legal debt margin is $70,195,330.

Long-Term Debt

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 annual change in 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, 2017 was $7,922,861.

The FY 2017 Budget

Highlights of the FY 2018 Budget include:

- A General Fund Appropriation Budget of $40,750,673, an increase of $1,547,078, or 3.9%, from the amended FY 2017 Budget of $39,203,595.

- The FY 2018 General Fund Budget increases the current property tax rate by $0.10 to $2.27 per $100 of assessed valuation. For a residence valued at $150,000, City property taxes for FY 2018 will be $851, or $71 per month. This rate increase provides revenue of $900,000.

- The FY 2018 Budget included an increase to the Commercial Dumpster Service Fee from $8.50 to $14.50 per pick up. This is an estimated revenue increase of $250,000.

- The FY 2018 Budget funds 312 full-time positions city-wide (general government services and utilities), an increase of 1 position from the previous year.

- The FY 2018 Budget funds a cost of living increase for all employees of 2.0% and step raises for eligible employees. City funding of employee medical expenses increases 5.3% over the prior year. Premiums paid by employees for medical benefits did not change.

- General Government capital projects funded within the FY 2018 budget include:

  - Replacement of Vehicles and Equipment – $1,678,370.
  - John Sevier Park Improvements –$482,000.
  - Road Improvements – $160,025.
  - Stormwater Improvements – $320,000.

- The following capital projects have been approved to be funded by bonds expected to be issued in calendar year 2018 in the approximate amount of $12,200,000. Debt Service on these bonds will be provided by the $0.10 property tax rate increase approved in this budget.

  - Robert C. Jackson Drive extension from U.S. 321 to Morganton Road - $10,300,000.
  - Fire Truck –$950,000.
  - Downtown garage improvements – $975,000.

- Water & Sewer capital projects totaling $6,669,318 are scheduled for FY 2018 to focus primarily on system rehabilitation. There is no Water & Wastewater rate increase for FY 2018.

- 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 2018 capital budget for the Electric Department is $4,929,351. There is no Electric rate increase for FY 2018.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017 and 2016

	Governmental Activities	Business-type Activities	Total 2017	Total 2016
ASSETS:				
Cash	$ 6,583,968	$ 1,612,805	$ 8,196,773	$ 9,318,227
Investments	5,874,502	10,210,752	16,085,254	19,758,043
Pooled cash	1,427,411	-	1,427,411	1,096,148
Pooled investments	13,999,439	-	13,999,439	12,122,235
Receivables:				
Taxes, net	22,657,777	-	22,657,777	21,541,077
Accounts, net	737,065	3,785,342	4,522,407	4,034,643
Accrued interest	-	-	-	3,348
Rentals	-	168,201	168,201	165,811
Other	-	330,842	330,842	531,526
Internal balances	170,712	(170,712)	-	-
Due from other governments	2,643,149	-	2,643,149	2,238,485
Inventories	227,768	1,859,174	2,086,942	2,136,045
Net pension asset – school employees	17,663	-	17,663	4,059
Regulatory charges	-	992,304	992,304	1,125,948
Prepaid items/clearing accounts/other assets	-	115,059	115,059	146,435
Energy service loans receivable	-	577,369	577,369	756,579
Capital assets (net of accumulated depreciation and amortization):				
Land	7,123,331	-	7,123,331	7,012,096
Rights-of-way/Easements	122,130	-	122,130	122,130
Buildings	69,414,855	-	69,414,855	71,416,038
Improvements	21,185,961	-	21,185,961	20,097,835
Infrastructure	11,811,262	-	11,811,262	8,902,330
Equipment, vehicles and software	8,635,806	-	8,635,806	8,200,039
Capital lease property	17,006,684	-	17,006,684	18,019,905
Electric plant in service	-	43,205,556	43,205,556	41,943,784
Water/sewer plant in service	-	94,466,958	94,466,958	91,963,144
Stormwater utility plant in service	-	-	-	2,834,214
Construction-in-progress	3,585,599	3,592,928	7,178,527	4,265,777
Total Assets	193,225,082	160,746,578	353,971,660	349,755,901
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	1,238,988	175,442	1,414,430	1,642,777
Pension contributions after measurement date	3,751,763	618,226	4,369,989	4,263,355
Pension changes in experience	506,955	129,292	636,247	201,884
Pension changes in proportion of net pension asset	601,672	-	601,672	502,506
Pension changes in investment earnings	6,217,064	769,464	6,986,528	-
Total Deferred Outflows of Resources	12,316,442	1,692,424	14,008,866	6,610,522

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF NET POSITION (Continued)
June 30, 2017 and 2016

	Governmental Activities	Business-type Activities	Total 2017	Total 2016
LIABILITIES:				
Accounts payable	1,161,918	6,159,111	7,321,029	7,682,816
Accrued payroll	3,379,317	-	3,379,317	3,262,864
Accrued interest payable	133,219	153,460	286,679	257,038
Other liabilities	1,971,584	643,483	2,615,067	1,918,636
Net pension liability	7,700,554	1,523,861	9,224,415	3,153,961
Customer deposits	-	506,600	506,600	1,689,257
Advances from TVA for energy service loans	-	577,369	577,369	756,579
Refundable deposits	-	244,800	244,800	192,600
Long-term liabilities:				
Due within one year	3,392,256	3,063,114	6,455,370	7,786,499
Due in more than one year	72,570,766	48,117,730	120,688,496	124,368,478
Total Liabilities	90,309,614	60,989,528	151,299,142	151,068,728
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue	20,779,965	-	20,779,965	19,670,570
Pension changes in experience	5,289,442	159,659	5,449,101	4,707,863
Pension changes in investment earnings	-	-	-	2,371,167
Pension changes in proportion of net pension liability	1,988	-	1,988	-
Total Deferred Inflows of Resources	26,071,395	159,659	26,231,054	26,749,600
NET POSITION:				
Net investment in capital assets	71,564,059	93,134,803	164,698,862	152,596,251
Restricted for:				
Special Revenue:				
State Street Aid	1,273,020	-	1,273,020	1,229,393
Public Works	614,269	-	614,269	776,807
Debt Service	107,343	-	107,343	243,669
Capital Projects	2,690,983	-	2,690,983	1,294,850
Unrestricted position	12,910,841	8,155,012	21,065,853	22,407,125
Total Net Position	$ 89,160,515	$ 101,289,815	$ 190,450,330	$ 178,548,095

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					2017			2016
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Total
Governmental Activities:								
General Government	$ 5,312,390	$ 484,047	$ 1,600	$ -	$ (4,826,743)	$ -	$ (4,826,743)	$ (6,018,691)
Public Safety	9,729,248	626,255	40,330	138,952	(8,923,711)	-	(8,923,711)	(9,044,656)
Public Works	9,423,214	1,999,886	176,093	1,127,862	(6,119,373)	-	(6,119,373)	(6,593,399)
Culture and Recreation	2,521,646	-	-	201,000	(2,320,646)	-	(2,320,646)	(2,251,975)
Economic Development	74,282	42,300	-	-	(31,982)	-	(31,982)	12,263
Education	54,521,274	3,016,330	24,364,021	293,069	(26,847,854)	-	(26,847,854)	(25,009,148)
Debt Service:								
Interest on long-term debt	2,327,868	-	-	-	(2,327,868)	-	(2,327,868)	(2,623,253)
Other debt service	200,596	-	-	-	(200,596)	-	(200,596)	(119,407)
Total Governmental Activities	84,110,518	6,168,818	24,582,044	1,760,883	(51,598,773)	-	(51,598,773)	(51,648,266)
Business-Type Activities:								
Electric	66,296,844	69,302,827	-	-	-	3,005,983	3,005,983	2,337,437
Water and Sewer	14,039,792	15,069,949	-	1,139,691	-	2,169,848	2,169,848	3,457,360
Stormwater Utility	-	-	-	-	-	-	-	216,925
Total Business-type Activities	80,336,636	84,372,776	-	1,139,691	-	5,175,831	5,175,831	6,011,722
Total Government	**$ 164,447,154**	**$ 90,541,594**	**$ 24,582,044**	**$ 2,900,574**	(51,598,773)	5,175,831	(46,422,942)	(45,636,544)
		General Revenues:						
		Sales tax			19,663,897	-	19,663,897	18,682,970
		State income taxes and excise taxes			723,926	-	723,926	686,015
		Property taxes			30,943,255	-	30,943,255	29,963,302
		Business taxes			1,026,201	-	1,026,201	1,008,162
		Miscellaneous taxes			3,110,172	-	3,110,172	3,051,698
		In-lieu-of taxes			661,155	-	661,155	923,008
		Investment earnings			135,861	72,772	208,633	304,487
		Miscellaneous			1,642,146	8,400	1,650,546	1,770,261
		Gain on deletion of capital assets			145,167	192,225	337,392	160,291
		Transfers – In-lieu-of-tax payments			1,623,795	(1,623,795)	-	-
		Total General Revenues and Transfers			59,675,575	(1,350,398)	58,325,177	56,550,194
		Change in Net Position			8,076,802	3,825,433	11,902,235	10,913,650
		Net Position – Beginning			78,062,837	100,485,258	178,548,095	167,634,445
		Restatement – See Note 1 (S)			3,020,876	(3,020,876)	-	-
		Adjusted Net Position – Beginning			81,083,713	97,464,382	178,548,095	167,634,445
		Net Position – Ending			**$ 89,160,515**	**$101,289,815**	**$ 190,450,330**	**$ 178,548,095**

See accompanying independent auditors' report and notes

CITY OF MARYVILLE, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2017
With Comparative Totals at June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
Assets:						
Cash	$ 504	$ 4,629,315	$ -	$ 1,574,614	$ 6,204,433	$ 5,986,181
Investments	-	5,242,023	-	632,479	5,874,502	6,199,202
Pooled Cash	1,249,780	-	-	177,631	1,427,411	1,096,148
Pooled Investments	9,240,359	-	107,343	4,651,737	13,999,439	12,122,235
Receivables:						
Taxes	21,554,428	1,276,028	-	-	22,830,456	21,682,019
Less: Allowance for uncollectible taxes	(172,679)	-	-	-	(172,679)	(140,942)
Accounts	422,556	107,277	-	128,123	657,956	491,073
Accrued interest	-	-	-	-	-	3,348
Due from other governments	1,942,227	614,322	-	86,600	2,643,149	2,238,485
Inventories	-	-	-	49,434	49,434	34,118
Due from other funds	7,016	554,133	-	-	561,149	995,863
Total Assets	34,244,191	12,423,098	107,343	7,300,618	54,075,250	50,707,730
Deferred Outflow of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 34,244,191	$ 12,423,098	$ 107,343	$ 7,300,618	$ 54,075,250	$ 50,707,730
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 190,498	$ -	$ -	$ 59,011	$ 249,509	$ 1,257,981
Due to other funds	2,212,951	-	-	770,579	2,983,530	3,147,979
Accrued payroll	-	3,379,317	-	-	3,379,317	3,262,864
Other liabilities	41,323	1,930,261	-	-	1,971,584	1,892,187
Total Liabilities	2,444,772	5,309,578	-	829,590	8,583,940	9,561,011
Deferred Inflow of Resources:						
Deferred Revenue	21,256,302	-	-	-	21,256,302	20,143,739

See accompanying independent auditors' report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
BALANCE SHEET (Continued)
Governmental Funds
June 30, 2017
With Comparative Totals at June 30, 2016

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
Fund Balances:						
Nonspendable	-	-	-	49,434	49,434	34,118
Restricted	-	-	-	2,777,298	2,777,298	1,934,318
Committed	-	-	-	991,224	991,224	956,381
Assigned	158,694	7,113,520	107,343	2,653,072	10,032,629	9,951,406
Unassigned	10,384,423	-	-	-	10,384,423	8,126,757
Total Fund Balances	10,543,117	7,113,520	107,343	6,471,028	24,235,008	21,002,980
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 34,244,191	$ 12,423,098	$ 107,343	$ 7,300,618	$ 54,075,250	$ 50,707,730

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, 2017
With Comparative Totals at June 30, 2016

		2017	2016
Fund Balances – Total Governmental Funds		$ 24,235,008	$ 21,002,980
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.		138,600,218	135,149,201
(2) Certain earned amounts are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		476,337	473,169
(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.		2,603,072	3,400,722
(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.		1,238,988	1,439,584
(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.		(133,219)	(141,284)
(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	$ 11,077,454		
Less: deferred inflows related to pensions	(5,291,430)	5,786,024	(2,366,303)
(7) Net pension assets of the agent plan are not current financial resources and, therefore, are not reported in the governmental funds.		17,663	4,059
(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.		(7,700,554)	(2,318,738)
(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.		(6,520,395)	(5,201,027)
(10) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Notes Payable	$ 10,855,650		
Bonds Payable	43,532,000		
Compensated Absences	2,121,058		
Capital Lease Obligations	11,370,955		
Premium on Bonds and Capital Lease Obligations (net of accumulated amortization)	1,562,964	(69,442,627)	(73,379,526)
Net Position of Governmental Activities		**$ 89,160,515**	**$ 78,062,837**

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
Revenues:						
Taxes:						
Property taxes	$ 20,045,590	$ 10,938,255	$ -	$ -	$ 30,983,845	$ 30,311,483
Local option sales taxes	9,932,250	7,445,680	-	-	17,377,930	16,465,106
Other taxes	3,691,873	94,143	-	-	3,786,016	3,881,546
Licenses, permits and fees	29,935	238,828	-	-	268,763	263,930
Intergovernmental -						
Unrestricted:						
State taxes	3,314,634	115,352	-	764,599	4,194,585	4,045,062
Restricted:						
Federal grants	-	-	-	2,353,585	2,353,585	2,291,420
State grants	-	335,792	-	192,351	528,143	383,595
U.S.D.A. revenues	-	-	-	1,082,107	1,082,107	1,029,764
Other state revenues	-	20,678,976	-	-	20,678,976	19,617,951
Other federal revenues	-	53,545	-	-	53,545	45,519
Other local revenues	-	-	-	330,176	330,176	173,913
Charges for services	1,245,833	580,197	-	3,774,277	5,600,307	3,801,497
Fines, forfeitures and costs	60,058	-	-	4,027	64,085	57,116
Investment income	81,199	42,821	11,841	-	135,861	267,939
Miscellaneous revenue	207,968	456,644	1,081,100	1,445,008	3,190,720	2,139,324
Total Revenues	38,609,340	40,980,233	1,092,941	9,946,130	90,628,644	84,775,165
Expenditures:						
Current:						
General government	2,718,314	-	-	443,176	3,161,490	4,887,120
Public safety	9,169,750	-	-	143,741	9,313,491	9,121,138
Public works	6,372,024	-	-	2,328,319	8,700,343	6,777,231
Culture and recreation	1,534,217	-	-	9,141	1,543,358	1,512,185
Economic Development	-	-	-	74,282	74,282	53,618
Nondepartmental costs	1,416,055	-	-	-	1,416,055	1,534,431
Education	-	47,630,611	-	5,276,315	52,906,926	51,591,873

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
Expenditures (Continued):						
Debt Service:						
Principal retirement	-	-	3,428,099	-	3,428,099	3,203,099
Interest and fiscal fees	-	-	2,036,032	-	2,036,032	2,190,162
Payments under Capital lease	113,133	-	1,080,000	-	1,193,133	9,024,136
Capital Outlay	52,357	2,731,971	-	2,657,103	5,441,431	4,670,159
Total Expenditures	21,375,850	50,362,582	6,544,131	10,932,077	89,214,640	94,565,152
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	17,233,490	(9,382,349)	(5,451,190)	(985,947)	1,414,004	(9,789,987)
Other Financing Sources (Uses):						
Transfers In	1,623,795	9,222,500	5,314,864	1,982,411	18,143,570	18,091,683
Transfers Out	(16,819,775)	-	-	-	(16,819,775)	(16,771,041)
Issuance of refunding debt	-	-	-	-	-	4,547,000
Bond Premium	-	-	-	-	-	174,356
Payments to refunding agent	-	-	-	-	-	(4,704,198)
Total Other Financing Sources (Uses)	(15,195,980)	9,222,500	5,314,864	1,982,411	1,323,795	1,337,800
Net Change in Fund Balance	2,037,510	(159,849)	(136,326)	996,464	2,737,799	(8,452,187)
Fund Balance, July 1st	8,505,607	7,273,369	243,669	5,459,248	21,481,893	29,470,645
Change in Reserve for Inventory	-	-	-	15,316	15,316	(15,478)
Fund Balance, June 30th	**$ 10,543,117**	**$ 7,113,520**	**$ 107,343**	**$ 6,471,028**	**$ 24,235,008**	**$ 21,002,980**

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

		2017	2016
Net change in fund balances – total governmental funds		$ 2,753,115	$ (8,467,665)
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	$ 8,065		
Change in accrual for compensated absences	(246,459)		
Change in accrual for post-employment benefit obligations	(1,215,542)		
Change in net pension liability/asset	(5,296,512)		
Change in deferred outflows related to pensions	6,704,771		
Change in deferred inflows related to pensions	1,426,308	1,380,631	2,408,260
(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.		3,168	(31,977)
(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.		685,090	826,379
(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.		145,167	84,798
(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.		(213,454)	(212,451)
(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.		170,109	156,336
(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.		(200,596)	(105,372)
(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.		4,151,222	11,601,309
(9) The net revenues (expenditures) of certain activities of internal service funds is reported with governmental activities.		(797,650)	(157,488)
(10) Effective July 1, 2016 the City reclassified the Stormwater Utility (Enterprise Fund) to the Stormwater Special Revenue Fund (Governmental Fund). Accordingly, the June 30, 2016 net position of the Stormwater Utility increases the net position of governmental activities.		3,020,876	-
Changes in net position of governmental activities		**$ 11,097,678**	**$ 6,102,129**

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
Revenues:					
Taxes:					
Property taxes	$ 19,710,000	$ 20,196,037	$ 20,045,590	$ (150,447)	$ 19,629,585
Interest and penalties on property tax	275,000	275,000	117,847	(157,153)	277,590
In lieu of taxes - TVA	320,000	320,000	310,687	(9,313)	323,135
In lieu of taxes – Other	231,865	231,865	256,324	24,459	541,785
Local sales tax	9,700,000	9,700,000	9,932,250	232,250	9,562,362
City beer tax	1,180,000	1,180,000	1,249,237	69,237	1,228,988
City liquor tax	305,000	305,000	350,036	45,036	340,498
Gross receipts tax	725,000	725,000	790,089	65,089	776,948
Franchise taxes	630,000	630,000	603,897	(26,103)	600,358
Hotel/Motel taxes	10,000	10,000	13,756	3,756	11,746
	33,086,865	33,572,902	33,669,713	96,811	33,292,995
Licenses, Permits, and Fees:	30,000	30,000	29,935	(65)	29,842
Intergovernmental:					
State mixed drink tax	95,000	95,000	115,352	20,352	102,000
State beer tax	13,000	13,000	13,295	295	13,445
State income tax	425,000	569,140	662,676	93,536	614,498
State sales tax	2,150,000	2,150,000	2,285,968	135,968	2,217,864
State transportation tax	55,000	55,000	55,651	651	56,021
State excise tax	60,000	60,000	61,250	1,250	71,517
State street maintenance contract	100,000	100,000	120,442	20,442	113,054
	2,898,000	3,042,140	3,314,634	272,494	3,188,399
Charges for Services:					
Code enforcement services	220,000	380,699	448,912	68,213	259,422
Planning services	10,000	10,000	17,445	7,445	12,051
Public Works sales	55,000	55,000	125,125	70,125	76,204
Engineering services	16,000	16,000	22,387	6,387	21,101
Animal control services	16,150	16,150	18,556	2,406	14,187
Solid waste management services	380,000	429,054	429,056	2	404,991
Clerk’s fees	7,000	7,000	11,388	4,388	10,933
Rent	40,000	40,000	99,559	59,559	98,175
Other services	6,500	6,500	73,405	66,905	57,340
	750,650	960,403	1,245,833	285,430	954,404
Fines, Forfeitures and Court Costs:					
Fines and Costs	53,000	53,000	59,373	6,373	51,045
Parking	150	150	685	535	395
	53,150	53,150	60,058	6,908	51,440
Investment Income	25,000	25,000	81,199	56,199	43,947
Other Revenues	25,000	25,000	207,968	182,968	155,496
Total Revenues	36,868,665	37,708,595	38,609,340	900,745	37,716,523

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final Budget Positive	Total
	Original	Final	Basis)	(Negative)	2016
Expenditures:					
General Government:					
Administration:					
Salaries and related costs	484,237	484,497	455,849	28,648	482,807
Advertising and publications	4,575	3,935	1,846	2,089	2,530
Communications	1,400	1,560	1,510	50	1,323
Membership	3,271	3,361	3,361	-	588
Vehicle maintenance	1,387	1,387	1,235	152	1,561
Printing and duplication	3,150	3,390	2,693	697	2,691
Training	3,448	3,448	3,194	254	3,176
Travel	3,420	3,420	2,724	696	1,729
Professional services	11,130	7,388	725	6,663	300
Computer operations	3,024	6,766	5,994	772	1,451
Motor fuels and lubricants	2,800	2,800	571	2,229	326
Office supplies	900	900	854	46	421
Other supplies	150	150	-	150	-
Insurance	1,702	1,702	1,604	98	1,724
Miscellaneous	5,338	5,228	3,381	1,847	3,737
	529,932	529,932	485,541	44,391	504,364
Development Services:					
Salaries and related costs	909,654	868,948	799,366	69,582	839,332
Advertising and publications	4,300	4,300	3,195	1,105	6,087
Communications	4,200	4,325	4,325	-	4,033
Memberships	2,970	2,970	2,337	633	2,570
Vehicle maintenance	6,158	8,702	8,702	-	7,062
Printing and duplication	2,200	3,803	3,611	192	1,672
Training	5,165	5,165	2,471	2,694	2,831
Travel	3,538	3,538	1,688	1,850	3,490
Professional services	41,946	41,946	15,979	25,967	29,455
Computer operations	11,329	12,388	12,388	-	3,043
Motor fuels and lubricants	4,200	4,200	2,492	1,708	2,435
Office supplies	1,000	1,026	1,025	1	914
Other supplies	2,045	40,304	38,702	1,602	791
Insurance	8,908	8,908	8,760	148	8,052
Environmental maintenance	4,000	4,000	-	4,000	1,040
Demolition of condemned buildings	15,000	10,252	-	10,252	-
Miscellaneous	7,515	9,353	6,035	3,318	6,666
	1,034,128	1,034,128	911,076	123,052	919,473
Judicial/Legal:					
Salaries and related costs	101,321	86,613	86,613	-	89,949
Legal services	86,460	106,106	106,106	-	89,861
Miscellaneous	14,786	11,853	11,853	-	11,018
	202,567	204,572	204,572	-	190,828

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
Expenditures (Continued):					
General Government (Continued):					
Human Resources:					
Salaries and related costs	247,675	249,703	243,274	6,429	233,130
Advertising and publications	50	50	-	50	217
Communications	996	996	992	4	1,170
Membership	490	490	478	12	374
Vehicle maintenance	1,085	1,085	914	171	1,225
Printing and duplication	2,750	2,750	1,213	1,537	1,655
Training	2,750	2,750	2,313	437	1,114
Travel	2,975	2,975	2,358	617	1,516
Professional services	18,250	15,727	8,966	6,761	24,788
Safety programs	500	500	416	84	262
Computer operations	1,234	1,222	746	476	686
Motor fuels and lubricants	170	170	131	39	117
Office supplies	1,000	1,000	991	9	986
Other supplies	300	300	84	216	188
Miscellaneous	2,214	2,721	2,455	266	2,974
	282,439	282,439	265,331	17,108	270,402
Finance:					
Salaries and related costs	329,840	345,405	345,258	147	325,307
Communications	100	140	139	1	67
Membership	670	670	318	352	593
Postage	14,000	14,000	8,366	5,634	9,094
Printing and duplication	3,930	4,778	2,840	1,938	2,113
Training	1,088	1,088	580	508	1,290
Professional services	111,831	94,116	88,720	5,396	58,158
Computer operations	2,025	2,325	1,954	371	289
Bank charges	30,000	30,000	17,869	12,131	15,371
Office supplies	1,871	1,871	1,418	453	1,787
Miscellaneous	1,075	2,037	1,900	137	1,645
	496,430	496,430	469,362	27,068	415,714
Legislative:					
Salaries and related costs	14,856	12,327	1,938	10,389	24,575
Advertising and publications	2,050	1,900	1,538	362	1,517
Membership	13,500	10,296	10,296		11,963
Postage	200	200	2	198	4
Printing and duplication	1,200	1,200	583	617	1,150
Training	1,750	1,750	570	1,180	1,575
Travel	6,500	6,500	5,137	1,363	5,281
Election services	1,500	1,500	1,250	250	-

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
Expenditures (Continued):					
General Government (Continued):					
Legislative (Continued):					
Professional services	17,023	17,023	14,087	2,936	17,826
Community support	99,149	104,149	104,147	2	101,625
Industrial Development	184,859	240,592	237,200	3,392	2,015,083
Office supplies	700	1,100	1,067	33	786
Miscellaneous	5,845	5,595	4,617	978	2,998
	349,132	404,132	382,432	21,700	2,184,383
Total General Government	2,894,628	2,951,633	2,718,314	233,319	4,485,164
Public Safety:					
Police Department:					
Salaries and related costs	4,564,294	4,436,958	4,215,226	221,732	4,147,370
Advertising and publications	2,600	3,100	3,052	48	2,790
Communications	59,447	59,447	46,946	12,501	43,723
Membership	13,610	13,610	12,301	1,309	12,460
Auto licenses	840	840	379	461	257
Vehicle maintenance	143,224	188,107	187,106	1,001	178,795
Vehicle parts	14,400	14,400	3,401	10,999	32,320
Printing and duplication	8,400	8,400	5,453	2,947	7,016
Training	60,815	54,215	32,403	21,812	50,678
Travel	50,000	50,000	29,261	20,739	32,184
Medical and vet services	15,000	15,000	10,498	4,502	14,940
Professional services	105,927	58,429	58,429	-	135,526
Public relations	2,000	2,000	1,277	723	88
Crime prevention programs	5,000	5,000	3,738	1,262	1,932
Computer operations	35,446	35,446	34,287	1,159	96,137
Motor fuels and lubricants	121,000	117,142	94,696	22,446	77,304
Office supplies	6,500	7,500	7,058	442	3,590
Operating supplies	104,737	111,832	100,088	11,744	33,343
Other supplies	1,500	39,759	39,628	131	894
Uniforms	44,000	48,503	48,502	1	33,442
Emergency communications funding (911 services)	162,396	162,396	162,396	-	151,064
Insurance	76,263	113,459	113,458	1	75,508
Communications system	84,867	23,090	23,090	-	23,091
Miscellaneous	5,876	5,876	4,512	1,364	5,083
	5,688,142	5,574,509	5,237,185	337,324	5,159,535

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
Expenditures (Continued):					
Public Safety (Continued):					
Animal Control:					
Salaries and related costs	214,236	215,597	215,247	350	209,565
Memberships	800	800	590	210	235
Utilities	5,598	5,598	4,242	1,356	3,420
Communication	1,700	1,700	1,641	59	1,545
Repair and maintenance – Vehicles and equipment	4,005	6,703	6,703	-	4,456
Building maintenance	2,000	4	4	-	1,318
Travel	800	333	-	333	-
Office supplies	200	200	-	200	-
Medical services	11,000	12,400	12,063	337	9,810
Chemical, lab and medical supplies	300	300	58	242	593
Other supplies	6,150	6,350	4,299	2,051	5,466
Uniforms	1,200	1,200	1,000	200	-
Motor fuels and lubricants	5,000	2,925	2,925	-	2,607
Consumable tools	300	300	-	300	-
Insurance	4,279	4,357	4,357	-	4,261
Printing and duplication	900	900	158	742	468
Training	400	400	15	385	-
Other expenditures	3,634	2,435	542	1,893	561
	262,502	262,502	253,844	8,658	244,305
Fire Department:					
Salaries and related costs	3,368,916	3,305,290	3,206,666	98,624	3,246,279
Advertising and publications	2,000	1,000	468	532	1,300
Communications	15,870	15,870	15,383	487	13,683
Membership	6,005	6,223	6,222	1	4,795
Vehicle maintenance	68,559	91,331	91,331	-	82,580
Vehicle parts	6,250	6,250	5,539	711	2,003
Printing and duplication	3,650	3,450	1,248	2,202	3,024
Training	11,862	11,862	11,778	84	9,448
Travel	21,606	21,606	14,761	6,845	9,843
Medical and vet services	11,826	6,226	2,865	3,361	7,096
Professional services	22,772	22,772	22,098	674	14,376
Public relations	1,500	1,750	1,743	7	1,583
Fire safety programs	6,350	6,350	5,437	913	5,728
Computer operations	30,023	30,023	16,327	13,696	23,530
Motor fuels and lubricants	18,000	18,000	13,149	4,851	11,460
Office supplies	2,500	2,500	1,289	1,211	2,082
Operating supplies	44,545	43,660	41,340	2,320	32,713
Other supplies	2,625	41,606	41,605	1	2,285
Uniforms	28,500	32,754	32,754	-	24,147
Equipment rental	93,000	96,100	95,817	283	93,817

(Continued)

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
Expenditures (Continued):					
Public Safety (Continued):					
Fire Department (Continued):					
Emergency management	17,106	17,106	1,029	16,077	6,102
Insurance	44,635	46,911	46,910	1	46,594
Miscellaneous	5,131	4,591	2,962	1,629	3,469
	3,833,231	3,833,231	3,678,721	154,510	3,647,937
Total Public Safety	9,783,875	9,670,242	9,169,750	500,492	9,051,777
Public Works – Streets:					
Salaries and related costs	715,695	717,174	694,510	22,664	698,086
Communications	1,313	1,313	1,255	58	1,015
Membership	150	150	146	4	142
Auto licenses	100	100	45	55	137
Vehicle maintenance	111,965	115,758	115,758	-	121,464
Printing and duplication	525	525	409	116	305
Training	115	115	115	-	105
Medical and vet services	1,411	1,411	858	553	623
Asphalt filler	52,000	52,000	49,707	2,293	46,809
Concrete and cement	12,000	12,000	11,909	91	9,764
Crushed stone	2,000	2,000	978	1,022	661
Paint supplies	13,000	12,940	11,381	1,559	919
Shop supplies	23,500	23,125	13,061	10,064	14,474
Gravel and sand	1,000	1,000	641	359	-
Ice removal supplies	36,000	35,825	34,915	910	47,525
Other operating supplies	5,705	5,765	2,488	3,277	5,306
Small tools	2,500	2,700	2,613	87	1,978
Computer operations	1,325	1,525	1,493	32	31
Motor fuels and lubricants	41,000	35,782	28,487	7,295	25,336
Office supplies	430	430	170	260	357
Uniforms	4,450	4,450	3,482	968	3,575
Insurance	17,204	17,204	16,686	518	17,247
Miscellaneous	2,252	2,348	1,606	742	744
	1,045,640	1,045,640	992,713	52,927	996,603
Public Works – Grounds:					
Salaries and related costs	863,674	847,177	812,905	34,272	802,783
Advertising and publications	100	100	50	50	-
Communications	1,074	1,074	699	375	704
Membership	60	60	58	2	57
Vehicle licenses	200	200	29	171	-
Vehicle maintenance	77,524	85,171	85,171	-	84,514
Printing and duplication	575	575	448	127	334

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
Expenditures (Continued):					
Public Works (Continued):					
Public Works – Grounds (Continued):					
Training	455	455	408	47	370
Medical and vet services	1,452	1,452	1,034	418	1,030
Grounds maintenance	12,600	12,600	11,883	717	11,409
Operating supplies	5,585	5,267	4,689	578	4,491
Professional services	14,500	23,350	23,350	-	14,300
Small tools	3,000	3,000	2,873	127	1,323
Computer operations	2,191	2,191	2,124	67	-
Motor fuels and lubricants	28,000	28,000	20,841	7,159	17,171
Office supplies	200	200	186	14	166
Uniforms	4,785	5,102	5,070	32	4,156
Insurance	11,936	11,936	11,051	885	10,886
Miscellaneous	413	414	303	111	317
	1,028,324	1,028,324	983,172	45,152	954,011
Public Works – Solid Waste:					
Salaries and related costs	1,461,974	1,407,915	1,407,915	-	1,356,088
Publication of notices	300	173	173	-	161
Communication	1,722	1,240	1,240	-	1,332
Repair and maintenance – vehicles	274,894	308,267	308,267	-	296,028
Supplies	7,712	7,931	7,931	-	5,649
Motor fuels and lubricants	118,000	92,309	92,309	-	73,197
Repair parts – containers	200	-	-	-	-
Containers	169,600	166,815	166,815	-	169,395
Insurance	31,293	30,206	30,206	-	29,423
Vehicle licenses and titles	600	218	218	-	937
Professional services	1,637	728	728	-	454
Uniforms	12,100	9,874	9,874	-	9,117
Consumable tools	400	293	293	-	87
Other expenditures	5,216	2,168	2,166	2	4,348
Landfill and tipping fees	1,144,847	1,268,889	1,268,889	-	1,004,570
	3,230,495	3,297,026	3,297,024	2	2,950,786
Public Works – Street Lighting:					
Electricity	750,000	787,544	787,544	-	745,304
Public Works – Engineering:					
Salaries and related costs	322,083	283,561	241,818	41,743	313,911
Advertising and publications	1,000	1,000	630	370	769
Communications	2,489	2,849	2,012	837	1,337
Membership	1,140	1,140	848	292	1,257
Vehicle maintenance	3,933	3,933	3,507	426	2,259

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total
	Original	Final			2016
Expenditures (Continued):					
Public Works (Continued):					
Public Works–Engineering (Continued):					
Printing and duplication	1,543	1,935	1,904	31	1,267
Training	105	105	-	105	208
Travel	-	-	-	-	(185)
Professional services	27,755	27,440	13,534	13,906	3,556
Computer operations	1,356	1,473	1,473	-	704
Motor fuels and lubricants	2,300	2,300	1,668	632	1,165
Office supplies	500	500	492	8	431
Other supplies	400	38,659	38,259	400	-
Traffic light supplies	15,000	15,000	3,780	11,220	-
Insurance	2,127	2,127	1,251	876	2,237
Miscellaneous	1,076	785	395	390	253
	382,807	382,807	311,571	71,236	329,169
Total Public Works	6,437,266	6,541,341	6,372,024	169,317	5,975,873
Culture and Recreation:					
Parks and Recreation:					
Grounds maintenance	10,000	10,000	-	10,000	-
Utilities	32,445	32,445	32,445	-	32,445
Recreation and Parks Commission funding	722,814	722,814	722,814	-	691,927
	765,259	765,259	755,259	10,000	724,372
Library:					
Blount County Library funding	818,959	818,959	778,958	40,001	767,286
Total Culture and Recreation	1,584,218	1,584,218	1,534,217	50,001	1,491,658
Non-Departmental Costs:					
Employee relations	2,158	2,158	1,946	212	1,883
Liability insurance	135,909	140,370	137,369	3,001	116,673
Property insurance	84,658	80,197	67,911	12,286	73,020
Fiber Optic maintenance	4,467	4,467	4,466	1	6,170
IT services	265,277	265,277	265,277	-	256,016
Facilities operations	939,094	939,094	939,086	8	1,080,669
	1,431,563	1,431,563	1,416,055	15,508	1,534,431
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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final Budget Positive	Total
	Original	Final	Basis)	(Negative)	2016
Expenditures (Continued):					
Capital Outlay:					
Public safety	53,600	54,100	52,357	1,743	78,845
Total Expenditures	22,185,150	22,346,230	21,375,850	970,380	22,730,881
Excess Revenues Over Expenditures	14,683,515	15,362,365	17,233,490	1,871,125	14,985,642
Other Financing Sources (Uses):					
Transfers in – Payments in Lieu of taxes	1,495,000	1,495,000	1,623,795	128,795	1,570,642
Transfers Out	(16,557,365)	(16,857,365)	(16,819,775)	37,590	(16,771,041)
Total Other Financing Sources (Uses)	(15,062,365)	(15,362,365)	(15,195,980)	166,385	(15,200,399)
Net Change in Fund Balance	(378,850)	-	2,037,510	2,037,510	(214,757)
Fund Balance, July 1st	8,505,607	8,505,607	8,505,607	-	8,720,364
Fund Balance, June 30th	$ 8,126,757	$ 8,505,607	$ 10,543,117	$ 2,037,510	$ 8,505,607

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals 2016
	Original	Final			
Revenues:					
Taxes	$ 17,730,975	$ 18,495,431	$ 18,478,078	$ (17,353)	$ 17,365,140
Licenses, permits and fees	211,750	241,517	238,828	(2,689)	234,088
Charges for services	466,325	588,072	580,197	(7,875)	532,931
Intergovernmental	20,961,226	21,291,283	21,183,665	(107,618)	20,100,889
Investment income	6,800	42,821	42,821	-	16,830
Miscellaneous revenues	255,000	486,901	456,644	(30,257)	310,898
Total Revenues	39,632,076	41,146,025	40,980,233	(165,792)	38,560,776
Expenditures:					
Instruction:					
Regular instruction program	26,649,483	26,925,724	26,925,717	7	27,012,720
Special education program	5,114,370	5,134,431	5,132,750	1,681	5,027,219
Vocational education program	728,890	752,843	752,840	3	680,067
Student body education program	-	-	-	-	5,182
Alternative school program	491,540	482,009	482,004	5	451,902
Early childhood education program	234,981	231,279	231,275	4	225,603
Support Services:					
Student support – health services	121,886	125,774	125,770	4	106,550
Student support – guidance services	1,153,976	1,101,235	1,101,231	4	1,108,085
Regular instruction support	1,842,785	1,971,454	1,971,448	6	1,860,396
Special education support	531,467	533,150	523,457	9,693	626,332
Technology	140,000	51,804	51,804	-	-
Board of Education	1,145,638	1,025,457	1,031,866	(6,409)	852,332
Office of the Superintendent of Schools	396,750	398,954	398,948	6	385,594
Office of the Principal - School Administration	3,292,897	3,246,452	3,246,446	6	3,039,851
Fiscal services	263,723	346,132	345,227	905	249,061
Human Resources (Personnel)	185,535	179,352	179,348	4	188,581
Operation of plant	2,581,585	2,671,143	2,671,136	7	2,553,807
Maintenance of plant	1,087,693	1,089,291	1,089,284	7	1,003,178
Transportation	1,081,607	1,045,920	1,045,915	5	996,986
Other Support Services	198,421	224,386	224,386	-	222,716
Community services	110,416	99,762	99,759	3	110,498
Capital Outlay:					
Regular capital outlay	1,500,933	2,731,973	2,731,971	2	1,743,591
Total Expenditures	48,854,576	50,368,525	50,362,582	5,943	48,450,251
Excess (Deficiency) of Revenues Over Expenditures	(9,222,500)	(9,222,500)	(9,382,349)	(159,849)	(9,889,475)
Other Financing Sources (Uses):					
Transfers In	9,222,500	9,222,500	9,222,500	-	9,222,500
Net Change in Fund Balance	-	-	(159,849)	(159,849)	(666,975)
Fund Balance, July 1st	7,273,369	7,273,369	7,273,369	-	7,940,344
Fund Balance, June 30th	$ 7,273,369	$ 7,273,369	$ 7,113,520	$ (159,849)	$ 7,273,369

See accompanying independent auditors report and notes.

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities – Enterprise Funds					
	Major Funds					
ASSETS:	Electric Department	Water and Sewer Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2016	Governmental Activities - Internal Service Funds 2016
Current Assets:						
Cash	$ 1,328,344	$ 284,461	$ 1,612,805	$ 379,535	$ 2,894,236	$ 437,810
Investments	3,794,356	6,416,396	10,210,752	-	13,558,841	-
Receivables:						
Accounts (net of allowance for uncollectibles)	3,333,180	452,162	3,785,342	-	3,428,704	-
Rentals	168,201	-	168,201	-	165,811	-
Due from other funds	157,992	227,038	385,030	2,746,322	221,000	2,824,452
Other	-	330,842	330,842	79,109	531,526	114,866
Inventory of materials and supplies	1,270,905	588,269	1,859,174	178,334	1,780,385	321,542
Total Current Assets	10,052,978	8,299,168	18,352,146	3,383,300	22,580,503	3,698,670
Capital Assets:						
Plant in service	76,009,867	138,823,165	214,833,032	-	209,763,128	-
Utility Plant acquisition costs	39,201	123,569	162,770	-	162,770	-
Construction in progress	1,355,635	2,237,293	3,592,928	-	2,547,324	-
Building and improvements	-	-	-	873,125	-	873,125
Data processing equipment	-	-	-	271,732	-	271,732
Software	-	-	-	269,785	-	269,785
Fleet maintenance equipment	-	-	-	242,375	-	242,375
	77,404,703	141,184,027	218,588,730	1,657,017	212,473,222	1,657,017
Less: Accumulated depreciation and amortization	32,843,512	44,479,776	77,323,288	1,371,607	73,184,756	1,317,392
Net Capital Assets	44,561,191	96,704,251	141,265,442	285,410	139,288,466	339,625
Other Noncurrent Assets:						
Other noncurrent assets	-	115,059	115,059	-	146,435	-
Regulatory charges	53,555	938,749	992,304	-	1,125,948	-
Receivables:						
Energy Service Loans	577,369	-	577,369	-	756,579	-
Total Other Noncurrent Assets	630,924	1,053,808	1,684,732	-	2,028,962	-
Total Noncurrent Assets	45,192,115	97,758,059	142,950,174	285,410	141,317,428	339,625
Total Assets	55,245,093	106,057,227	161,302,320	3,668,710	163,897,931	4,038,295
DEFERRED OUTFLOWS OF RESOURCES:						
Pension contributions after measurement date	339,274	278,952	618,226	-	658,200	-
Pension changes in experience	69,952	59,340	129,292	-	-	-
Pension changes in earnings	386,215	383,249	769,464	-	-	-
Deferred outflows on refunding	74,174	101,268	175,442	-	203,193	-
Total Deferred Outflows of Resources	869,615	822,809	1,692,424	-	861,393	-

See accompanying independent auditor’s report and notes.

(Continued)

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (Continued)
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities – Enterprise Funds					
	Major Funds					
LIABILITIES:	**Electric Department**	**Water and Sewer Department**	**Total**	**Governmental Activities - Internal Service Funds**	**Business-type Activities - Enterprise Funds 2016**	**Governmental Activities - Internal Service Funds 2016**
Current Liabilities						
(Payable from Current Assets):						
Accounts payable	5,605,972	553,139	6,159,111	912,409	6,313,573	111,262
Due to other funds	420,550	135,192	555,742	153,229	367,025	526,311
Accrued compensated absences	294,006	266,178	560,184	-	592,685	-
Customer deposits	423,340	83,260	506,600	-	1,689,257	-
Other accrued liabilities	72,380	571,103	643,483	-	26,449	-
Accrued interest payable	-	153,460	153,460	-	115,754	-
Current portion of long-term debt	758,000	1,648,440	2,406,440	-	2,309,268	-
Total Current Liabilities				-		
(Payable from Current Assets)	7,574,248	3,410,772	10,985,020	1,065,638	11,414,011	637,573
Noncurrent Liabilities:						
Bonds payable	3,375,111	40,746,152	44,121,263	-	46,519,497	-
Loan Payable – Tennessee Revolving Loan Fund	-	1,602,936	1,602,936	-	1,709,376	-
Accrued compensated absences	593,462	494,093	1,087,555	-	1,105,857	-
Advances from TVA for energy service loans	577,369	-	577,369	-	756,579	-
Accrued post-employment benefit obligations	662,365	740,101	1,402,466	-	1,337,741	-
Net pension liability	869,649	654,212	1,523,861	-	835,223	-
Refundable deposits	244,800	-	244,800	-	192,600	-
Total Noncurrent Liabilities	6,322,756	44,237,494	50,560,250	-	52,456,873	-
Total Liabilities	13,897,004	47,648,266	61,545,270	1,065,638	63,870,884	637,573
DEFERRED INFLOWS OF RESOURCES:						
Pension changes in experience	90,162	69,497	159,659	-	224,164	-
Pension changes in investment earnings	-	-	-	-	179,018	-
Total Deferred Inflows of Resources	90,162	69,497	159,659	-	403,182	-
NET POSITION:						
Net investment in Capital Assets	40,428,080	52,706,723	93,134,803	285,410	88,750,325	339,625
Unrestricted position	1,699,462	6,455,550	8,155,012	2,317,662	11,734,933	3,061,097
Total Net Position	$ 42,127,542	$ 59,162,273	$ 101,289,815	$ 2,603,072	$ 100,485,258	$ 3,400,722

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities –Enterprise Funds					
	Major Funds					
	Electric Department	**Water and Sewer Department**	**Total**	**Governmental Activities - Internal Service Funds**	**Business-type Activities - Enterprise Funds 2016**	**Governmental Activities - Internal Service Funds 2016**
OPERATING REVENUES:						
Charges for services	$ 68,267,701	$ 13,544,725	$ 81,812,426	$ 14,270,445	$ 79,871,635	$ 14,399,513
Customers' forfeited discounts	375,599	90,993	466,592	-	477,003	-
Rent from property	498,923	134,553	633,476	-	261,905	-
Other revenue	160,604	1,299,678	1,460,282	409	1,749,689	6,351
Total Operating Revenues	69,302,827	15,069,949	84,372,776	14,270,854	82,360,232	14,405,864
OPERATING AND MAINTENANCE EXPENSE:						
Purchased power	56,938,765	-	56,938,765	-	54,708,949	-
Electric operations	3,168,970	-	3,168,970	-	2,915,407	-
Water and sewer operations	-	5,470,182	5,470,182	-	4,924,343	-
Stormwater operations	-	-	-	-	970,313	-
Customer accounts expense	735,557	1,208,697	1,944,254	-	1,757,870	-
Administrative and general expense	2,314,299	1,792,980	4,107,279	-	3,563,774	-
Sales expense	132,968	-	132,968	-	110,779	-
Depreciation and amortization of capital assets	2,325,082	3,479,603	5,804,685	54,215	5,806,957	55,019
Taxes	523,443	-	523,443	-	507,210	-
Computer information systems operating expense	-	-	-	738,546	-	727,629
Fleet maintenance operating expenses	-	-	-	810,791	-	675,282
Facilities operating and maintenance expenses	-	-	-	1,777,899	-	1,664,416
Self-insurance operating expenses	-	-	-	11,987,053	-	11,441,006
Total Operating and Maintenance Expenses	66,139,084	11,951,462	78,090,546	15,368,504	75,265,602	14,563,352
OPERATING INCOME (LOSS)	3,163,743	3,118,487	6,282,230	(1,097,650)	7,094,630	(157,488)
NON-OPERATING REVENUES (EXPENSES):						
Interest earned	29,245	43,527	72,772	-	36,548	-
Grant revenue	-	-	-	-	121,903	-
Amortization	(37,010)	(146,459)	(183,469)	-	(251,042)	-
Rent from non-utility property	8,400	-	8,400	-	8,400	-
Gain (Loss) on retirement of capital assets	6,224	186,001	192,225	-	75,493	-
Debt issue expense	-	-	-	-	(82,667)	-
Interest expense	(120,750)	(1,941,871)	(2,062,621)	-	(2,223,524)	-
Total Non-Operating Revenues (Expenses)	(113,891)	(1,858,802)	(1,972,693)	-	(2,314,889)	-
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,049,852	1,259,685	4,309,537	(1,097,650)	4,779,741	(157,488)
CONTRIBUTIONS AND TRANSFERS:						
Capital Contributions	-	1,139,691	1,139,691	-	1,352,422	-
Transfers in	-	-	-	680,000	250,000	124,035
Transfers out	-	-	-	(380,000)	-	(124,035)
Payments In Lieu of Taxes	(1,101,919)	(521,876)	(1,623,795)	-	(1,570,642)	-
CHANGE IN NET POSITION	1,947,933	1,877,500	3,825,433	(797,650)	4,811,521	(157,488)
NET POSITION, July 1st	40,179,609	57,284,773	97,464,382	3,400,722	95,673,737	3,558,210
NET POSITION, June 30th	**$ 42,127,542**	**$ 59,162,273**	**$ 101,289,815**	**$ 2,603,072**	**$ 100,485,258**	**$ 3,400,722**

See accompanying independent auditors' report and notes.

CITY OF MARYVILLE, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities –Enterprise Funds Major Funds Electric Department	Business-type Activities –Enterprise Funds Major Funds Water and Sewer Department	Business-type Activities –Enterprise Funds Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2016	Governmental Activities - Internal Service Funds 2016
CASH FLOWS FROM OPERATING ACTIVITIES:						
Collections from customers	$ 67,899,682	$ 14,889,401	$ 82,789,083	$ 1,561,466	$ 83,156,894	$ 1,895,735
Receipts from other funds	230,607	-	230,607	12,709,388	218,086	12,644,888
Other receipts	-	-	-	409	-	-
Payments to other funds	-	(246,611)	(246,611)	-	(488,951)	-
Payments to employees	(3,236,294)	(2,766,920)	(6,003,214)	(796,454)	(6,355,006)	(738,533)
Payments to other suppliers of goods and services	(60,580,343)	(4,617,088)	(65,197,431)	(2,318,735)	(63,766,692)	(2,342,410)
Taxes	(523,443)	-	(523,443)	-	(507,210)	-
Payment for settlement of claims and administrative expenses	-	-	-	(11,219,397)	-	(11,459,540)
Net Cash Flows Provided By) (Used in) Operating Activities	3,790,209	7,258,782	11,048,991	(63,323)	12,257,121	140
CASH FLOWS FROM - NONCAPITAL FINANCING ACTIVITIES:						
Receipts from other funds	-	-	-	1,092,850	250,000	811,759
Grants received	-	-	-	-	121,903	-
Payments to other funds	(1,101,919)	(521,876)	(1,623,795)	(1,087,802)	(1,570,642)	(500,606)
Net Cash Provided By (Used In) NonCapital Financing Activities	(1,101,919)	(521,876)	(1,623,795)	5,048	(1,198,739)	311,153
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(3,644,988)	(6,967,660)	(10,612,648)	-	(9,036,267)	(43,276)
Utility Plant removal costs, net of salvage	70,316	(73,543)	(3,227)	-	16,281	-
Proceeds from sale of capital assets	6,224	186,001	192,225	-	75,493	-
Loans repayments	-	(104,268)	(104,268)	-	(102,144)	-
Bond repayments	(746,000)	(1,459,000)	(2,205,000)	-	(7,313,954)	-
Bond proceeds	-	-	-	-	5,261,621	-
Debt issue costs	-	-	-	-	(82,667)	-
Interest paid	(161,977)	(1,951,870)	(2,113,847)	-	(2,292,268)	-
Refundable deposits	52,200	-	52,200	-	58,800	-
Energy Service advances repaid to TVA	(212,414)	-	(212,414)	-	(171,693)	-
Energy Service advances from TVA	33,204	-	33,204	-	110,046	-
Energy Service loans to customers	(33,204)	-	(33,204)	-	(110,046)	-
Energy Service loans collected from customers	212,414	-	212,414	-	171,693	-
Capital contributions	-	1,139,691	1,139,691	-	1,352,422	-
Net Cash Flows Provided By (Used In) Capital and Related Financing Activities	(4,424,225)	(9,230,649)	(13,654,874)	-	(12,062,683)	(43,276)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	29,245	43,527	72,772	-	36,548	-
Rent from investment property	8,400	-	8,400	-	8,400	-
Net Cash Flows Provided By (Used In) Investing Activities	37,645	43,527	81,172	-	44,948	-
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,698,290)	(2,450,216)	(4,148,506)	(58,275)	(959,353)	268,017
CASH & CASH EQUIVALENTS– July 1st	6,820,990	9,151,073	15,972,063	437,810	17,412,430	169,793
CASH AND CASH EQUIVALENTS – June 30th	$ 5,122,700	$ 6,700,857	$ 11,823,557	$ 379,535	$ 16,453,077	$ 437,810

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, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities – Enterprise Funds: Major Funds: Electric Department	Water and Sewer Department	Total	Governmental Activities - Internal Service Funds	Business-type Activities - Enterprise Funds 2016	Governmental Activities - Internal Service Funds 2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	$ 3,163,743	$ 3,118,487	$ 6,282,230	$ (1,097,650)	$ 7,094,630	$ (157,488)
Adjustments to reconcile operating income to net cash provided by (used) in operating activities:						
Add (deduct) non-cash items:						
Depreciation	2,325,082	3,479,603	5,804,685	44,053	5,806,954	42,107
Amortization	-	-	-	10,162	-	12,912
Changes in assets and liabilities:						
Accounts receivable	(373,644)	(27,392)	(401,036)	35,757	626,711	92,759
Pole rentals receivable	1,663	-	1,663	-	522	-
Other receivables	-	200,684	200,684	-	54,039	-
Inventories	(35,911)	(42,878)	(78,789)	143,208	(131,832)	65,012
Accounts payable	(471,856)	400,531	(71,325)	801,147	(585,160)	(55,162)
Accrued compensated absences	58,069	29,101	87,170	-	34,542	-
Accrued post-employment benefit obligation	81,273	87,278	168,551	-	160,451	-
Net pension obligation/deferrals	(205,247)	(157,968)	(363,215)	-	(644,062)	-
Other accrued liabilities	45,931	571,103	617,034	-	(4,199)	-
Customer deposits	(1,029,501)	(153,156)	(1,182,657)	-	115,390	-
Due from other funds	(1,965)	(40,179)	(42,144)	-	114,341	-
Due to other funds	232,572	(206,432)	26,140	-	(385,206)	-
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**$ 3,790,209**	**$ 7,258,782**	**$ 11,048,991**	**$ (63,323)**	**$ 12,257,121**	**$ 140**
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION						
Current Assets:						
Cash	$ 1,328,344	$ 284,461	$ 1,612,805	$ 379,535	$ 2,894,236	$ 437,810
Investments	3,794,356	6,416,396	10,210,752	-	13,558,841	-
Cash and Cash Equivalents – June 30th	$ 5,122,700	$ 6,700,857	$ 11,823,557	$ 379,535	$ 16,453,077	$ 437,810

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, 2017 and 2016, the Electric Department had investments of $3,794,356 and $4,925,973, respectively, considered to be cash equivalents. At June 30, 2017 and 2016, the Water and Sewer Department had investments of $6,416,396 and $8,632,868 respectively, considered to be cash equivalents.

See accompanying independent auditors report and notes.

CITY OF MARYVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

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.

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION (Continued):

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 21, 2016.

Budget amendments were adopted for the following funds:

1. General Fund - $839,930 increase in revenues/transfers in and $461,080 increase in expenditures/transfers out.
2. General Purpose School Fund - $1,513,949 increase in both revenues and expenditures.
3. Federal Projects Fund – $110,737 increase in both revenues and expenditures.
4. Stormwater - $18,504 increase in revenues and $171,048 increase in expenditures.
5. Industrial Development Fund - $42,362 increase in expenditures.
6. Continuing Care Program Fund - $78,276 increase in revenues and expenditures.
7. Cafeteria Fund - $23,440 increase in revenues and expenditures.

(F) UNBILLED ACCOUNTS RECEIVABLE:

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

For the Electric Department at June 30, 2017, unrecorded unbilled revenue was estimated to be $2,945,403.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) UNBILLED ACCOUNTS RECEIVABLE (Continued):

For the Water and Sewer Department at June 30, 2017, unrecorded unbilled revenue was estimated to be $550,649.

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.

(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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) CAPITAL ASSETS (Continued):

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) FUND RECLASSIFICATION:

Effective July 1, 2016, the Stornwater Utility Fund was reclassified as the Stormwater Special Revenue Fund. Accordingly, the June 30, 2016 net position of the enterprise funds (business-type activities) are restated by a reduction in the amount of $3,020,876, whereas the governmental activities beginning net position is increased by that same amount.

(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	$ 6,204,433	$ -	$ 379,535	$ -	$ 6,583,968
Investments	5,874,502	-	-	-	5,874,502
Pooled cash	1,427,411	-	-	-	1,427,411
Pooled investments	13,999,439	-	-	-	13,999,439
Receivables:					
Taxes, net	22,657,777	-	-	-	22,657,777
Accounts, net	657,956	-	79,109	-	737,065
Internal balances	561,149	-	2,746,322	-	3,307,471
Due from other governments	2,643,149	-	-	-	2,643,149
Inventories	49,434	-	178,334	-	227,768
Net pension asset – school employees	-	17,663	-	-	17,663
Capital Assets, Net	-	138,600,218	285,410	-	138,885,628
Total Assets	54,075,250	138,617,881	3,668,710	-	196,361,841
Deferred Outflow of Resources					
Pension deferrals	-	11,077,454	-	-	11,077,454
Deferred charges on refunding	-	1,238,988	-	-	1,238,988
Total Deferred Outflows	-	12,316,442	-	-	12,316,442
Liabilities:					
Accounts payable	249,509	-	912,409	-	1,161,918
Accrued payroll	3,379,317	-	-	-	3,379,317
Accrued interest payable	-	133,219	-	-	133,219
Other liabilities	1,971,584	-	-	-	1,971,584
Internal balances	2,983,530	-	153,229	-	3,136,759
Net pension obligation – city employees	-	7,700,554	-	-	7,700,554
Accrued post-employment benefit obligations	-	6,520,395	-	-	6,520,395
Long-term debt	-	67,321,569	-	-	67,321,569
Compensated absences	-	2,121,058	-	-	2,121,058
Total Liabilities	8,583,940	83,796,795	1,065,638	-	93,446,373
Deferred Inflow of Resources:					
Deferred revenue	21,256,302	(476,337)	-	-	20,779,965
Pension deferrals	-	5,291,430	-	-	5,291,430
Total Deferred Inflow of Resources	21,256,302	4,815,093	-	-	26,071,395
Net Position	$ 24,235,008	$ 62,322,435	$ 2,603,072	$ -	$ 89,160,515

(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	$ 209,436,801
Accumulated depreciation	(70,836,583)
	$ 138,600,218

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	(1,360,210)
	$ 1,238,988

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	$ (6,520,395)
Compensated absences	(2,121,058)
Accrued interest payable	(133,219)
Bonds, capital improvement notes, loans and capital lease obligations (net of $1,072,980 accumulated amortization of bond/capital lease obligations premium)	(67,321,569)
	$ (76,096,241)

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	$ 11,077,454
Deferred inflows related to pensions	(5,291,430)
	$ 5,786,024

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)	$ 476,337

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

Net pension assets	$ 17,663

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	$ (7,700,554)

(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.

$ 2,603,072

(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 (7)	Statement of Activities
Revenues							
Taxes:							
Property taxes	$ 30,983,845	$ 3,168	$ -	$ -	$ -	$ -	$ 30,987,013
Local option sales taxes	17,377,930	-	-	-	-	-	17,377,930
Other taxes	3,786,016	-	-	-	-	-	3,786,016
Licenses, permits and fees	268,763	-	-	-	-	-	268,763
Intergovernmental:							
State taxes	4,194,585	-	-	-	-	-	4,194,585
Federal grants	2,353,585	-	-	-	-	-	2,353,585
State grants	528,143	-	-	-	-	-	528,143
U.S.D.A. revenues	1,082,107	-	-	-	-	-	1,082,107
Other state revenues	20,678,976	-	-	-	-	-	20,678,976
Other federal revenues	53,545	-	-	-	-	-	53,545
Other local revenues	330,176	-	-	-	-	-	330,176
Charges for services	5,600,307	-	-	-	-	-	5,600,307
Fines, forfeitures, and costs	64,085	-	-	-	-	-	64,085
Investment income	135,861	-	-	-	-	-	135,861
Miscellaneous revenue	3,190,720	-	(213,454)	-	-	-	2,977,266
Gain (loss) on deletion of capital assets	-	-	145,167	-	-	-	145,167
Total Revenues	90,628,644	3,168	(68,287)	-	-	-	90,563,525

(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	3,161,490	(118,815)	280,915	-	1,097,650	891,150	5,312,390
Public safety	9,313,491	(255,325)	671,082	-	-	-	9,729,248
Public works	8,700,343	(166,472)	1,365,162	-	-	(475,819)	9,423,214
Culture & Recreation	1,543,358	-	978,288	-	-	-	2,521,646
Economic development	74,282	-	-	-	-	-	74,282
Nondepartmental costs	1,416,055	-	-	-	-	(1,416,055)	-
Education	52,906,926	(847,270)	2,915,459	-	-	(453,841)	54,521,274
Debt Service:							
Principal retirement	3,428,099	-	-	(3,428,099)	-	-	-
Interest & fiscal fees	2,036,032	(8,065)	-	30,487	-	470,010	2,528,464
Payments under capital lease	1,193,133	-	-	(723,123)	-	(470,010)	-
Capital Outlay	5,441,431	-	(6,895,996)	-	-	1,454,565	-
Total Expenditures	89,214,640	(1,395,947)	(685,090)	(4,120,735)	1,097,650	-	84,110,518
Other Financing Sources (Uses)/Changes in Net Position							
Transfers In (Out) - In-lieu-of-tax payments	1,323,795	-	-	-	300,000	-	1,623,795
Issuance of refunding debt	-	-	-	-	-	-	-
Payments to refunding agent	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Change in reserve for inventory	15,316	(15,316)	-	-	-	-	-
Reclassification of Stormwater Utility to Stormwater Special Revenue Fund	-	-	-	-	-	3,020,876	3,020,876
Total Other Financing Sources (Uses)/Changes in Net Position	1,339,111	(15,316)	-	-	300,000	3,020,876	4,644,671
Net Change for the Year	$ 2,753,115	$ 1,383,799	$ 616,803	$ 4,120,735	$ (797,650)	$ 3,020,876	$ 11,097,678

(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	$ 3,168

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	$ (246,459)
Change in accrued interest payable	8,065
Change in accrual for post-employment benefit obligations	(1,215,542)
Change in net pension liability/asset	(5,296,512)
Change in deferred outflows related to pensions	6,704,771
Change in deferred inflows related to pensions	1,426,308
	$ 1,380,631

(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)	$ 6,895,996
Depreciation expense (net of depreciation expense recorded in the Internal Service Funds)	6,210,906
Difference	$ 685,090

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)	$ 68,287
Proceeds	(213,454)
Trade-in Allowance	-
Difference	$ (145,167)

(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	$ 170,109

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	$ 4,151,222

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	$ 200,596

(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.

$ (797,650)

(7) Effective July 1, 2016 the City reclassified the Stormwater Utility (Enterprise Fund) to the Stormwater Special Revenue Fund (Governmental Fund). Accordingly, the June 30, 2016 net position of the stormwater utility increases the net position of governmental activities.

$ 3,020,876

(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, 2017, was $2.17 per $100 of assessed value.

Property taxes levied for 2016 and prior years, but uncollected as of June 30, 2017, are recorded as receivables, net of estimated uncollectibles based upon collections in prior years. The Allowance for Uncollectible Property Taxes as of June 30, 2017 is $172,679. The taxes collected during the fiscal year ended June 30, 2017, and those taxes expected to be collected in the subsequent sixty (60) days, are recognized as revenues in the fiscal year ended June 30, 2017. All other taxes are recorded as deferred revenue.

Property taxes levied for 2017 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, 2017, 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 $39,708,877 at June 30, 2017 is classified below:

Table 1: Total Cash and Investments at June 30, 2017

Type	Amount
Petty and working cash	$ 3,280
Local financial institutions – checking and savings accounts	9,620,904
State of Tennessee Local Government Investment Pool	30,084,693
Total Cash and Investments	$ 39,708,877

(Continued)

NOTE 4 - CASH AND INVESTMENTS (Continued):

As of June 30, 2017 the City had the following investments and maturities:

Table 2: Investments and Maturities at June 30, 2017

	Fair Value	Less Than 1 Year	1 – 5 Years	6 – 10 Years	More Than 10 Years
State of Tennessee Local Government Investment Pool	$ 30,084,693	$ 30,084,693	$ -	$ -	$ -

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.

Table 3: Investments and Derivative Instruments Measured at Fair Value

		Fair Value Measurements Using		
	Fair Value 6/30/2017	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	$ -	$ -	$ -	$ -
Investments in pooled investment account	30,084,693			
Total investments measured at fair value	$ 30,084,693			

(Continued)

NOTE 4 - CASH AND INVESTMENTS (Continued):

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.

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.

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

Table 4: Summary of Equity in Pooled Cash and Investments

Fund	Equity in Pooled Cash	Equity in Pooled Investments
Major Funds:		
General Fund	$ 1,249,780	$ 9,240,359
Debt Service Fund	-	107,343
Non Major Funds	177,631	4,651,737
	$ 1,427,411	$ 13,999,439

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES:

As of June 30, 2017, interfund receivables and payables were as shown in Table 5 below.

Table 5: Interfund Receivables/Payables at June 30, 2017

Fund	Amount	Fund	Amount
INTERFUND RECEIVABLES:		**INTERFUND PAYABLES:**	
General Fund	$ 7,016	General Fund	$ 2,212,951
General Purpose School Fund	554,133	General Purpose School Fund	-
Nonmajor Governmental Funds	-	Nonmajor Governmental Funds	770,579
Electric Department	157,992	Electric Department	420,550
Water and Sewer Department	227,038	Water and Sewer Department	135,192
Internal Service Funds	2,746,322	Internal Service Funds	153,229
Total Interfund Receivables	$ 3,692,501	**Total Interfund Payables**	$ 3,692,501

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.

(Continued)

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES:

Transfers during the year are as follows:

Table 6: Interfund Transfers

Transfer From	General Fund	Debt Service Fund	General Purpose School Fund	Nonmajor Governmental Funds	Internal Service Funds	Totals
General Fund	$ -	$ 5,314,864	$ 9,222,500	$ 1,982,411	$ 300,000	$ 16,819,775
Electric Department	1,101,919	-	-	-	-	1,101,919
Water and Sewer Department	521,876	-	-	-	-	521,876
Non Major Governmental Funds	-	-	-	-	-	-
Internal Service Funds	-	-	-	-	380,000	380,000
	$ 1,623,795	$ 5,314,864	$ 9,222,500	$ 1,982,411	$ 680,000	$ 18,823,570

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.

NOTE 6 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2017 is as follows:

Table 7: Summary of Changes In Capital Asset Activity

	Balance July 1, 2016	Reclass-ifications	Additions	Deletions	Balance June 30, 2017
Governmental Activities:					
Non-depreciable Assets:					
Land	$ 7,012,096	$ 62,068	$ 49,167	$ -	$ 7,123,331
Rights-of-way/Easements	122,130	-		-	122,130
Construction-in-progress	1,718,453	-	3,334,931	1,467,785	3,585,599
Total Non-depreciable Assets	8,852,679	62,068	3,384,098	1,467,785	10,831,060
Depreciable Assets:					
Buildings	101,004,058	-	-	-	101,004,058
Improvements	27,317,468	-	1,977,749	-	29,295,217
Infrastructure	19,760,958	2,928,757	1,025,572	8,656	23,706,631
Capital lease property:					
Buildings (Civic Arts Center)	23,075,000	-	-	-	23,075,000
Communications equipment	1,391,663	-	-	-	1,391,663
Equipment and vehicles	20,452,499	266,896	1,976,362	905,568	21,790,189
Total Depreciable Assets	193,001,646	3,195,653	4,979,683	914,224	200,262,758

(Continued)

NOTE 6 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2017 is as follows:

Table 7: Summary of Changes In Capital Asset Activity

	Balance July 1, 2016	Reclass-ifications	Additions	Deletions	Balance June 30, 2017
Accumulated Depreciation:					
Buildings	29,588,020	-	2,001,183	-	31,589,203
Improvements	7,219,633	-	889,623	-	8,109,256
Infrastructure	10,858,628	325,822	719,575	8,656	11,895,369
Capital lease property	6,446,758	-	1,013,221	-	7,459,979
Equipment and vehicles	12,252,460	97,685	1,641,519	837,281	13,154,383
Total Accumulated Depreciation	66,365,499	423,507	6,265,121	845,937	72,208,190
Net Depreciable Assets	126,636,147	2,772,146	(1,285,438)	68,287	128,054,568
Governmental Activities Capital Assets, Net	$ 135,488,826	$ 2,834,214	$ 2,098,660	$ 1,536,072	$ 138,885,628
Business-type Activities:					
Non-depreciable Assets:					
Land and Land Rights	$ 2,050,822	$ (62,068)	$ 11,021	$ -	$ 1,999,775
Construction-in-progress	2,547,324	-	11,114,716	10,069,112	3,592,928
Total Non-depreciable Assets	4,598,146	(62,068)	11,125,737	10,069,112	5,592,703
Depreciable Assets:					
Utility plant acquisition costs	162,770	-	-	-	162,770
Electric plant in service:					
Transmission	5,833,212	-	49,976	-	5,883,188
Distribution	58,735,340	-	3,023,234	695,132	61,063,442
General	8,002,829	-	861,387	239,274	8,624,942
Water plant in service	43,607,222	-	2,258,299	653,647	45,211,874
Sewer plant in service	88,338,050	-	3,865,195	153,434	92,049,811
Stormwater plant in service	3,195,653	(3,195,653)	-	-	-
Total Depreciable Assets	207,875,076	(3,195,653)	10,058,091	1,741,487	212,996,027
Accumulated Depreciation:					
Utility plant acquisition costs	162,770	-	-	-	162,770
Electric plant in service:					
Transmission	2,485,753	-	146,571	-	2,632,324
Distribution	23,680,433	-	2,003,296	700,265	24,983,464
General	4,899,706	-	452,644	163,827	5,188,523
Water plant in service	17,660,239	-	2,269,320	653,647	19,275,912
Sewer plant in service	23,872,348	-	3,865,195	153,434	27,584,109
Stormwater plant in service	423,507	(423,507)	-	-	-
Total Accumulated Depreciation	73,184,756	(423,507)	8,737,026	1,671,173	79,827,102
Net Depreciable Assets	134,690,320	(2,772,146)	1,321,065	70,314	133,168,925
Business-Type Activities Capital Assets, Net	$ 139,288,466	$ (2,834,214)	$ 12,446,802	$ 10,139,426	$ 138,761,628

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued):

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

General Government	$	335,130
Public Safety		671,082
Public Works		1,365,161
Culture and Recreation		978,288
Education		2,915,460
Total Depreciation Expense – Governmental Activities	$	6,265,121

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, 2017 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, 2017 the balance was attributable to business-type activities.	$	1,355,000
$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.		1,860,000
$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, 2017 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, 2017 the balance for general government and business-type activities was $1,695,000 and $365,000 respectively.		2,060,000
$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.		1,460,000
$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.		3,200,000

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

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, 2017 were as follows:

\$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, 2017 the balance for general government and business-type activities was \$1,197,000 and \$4,948,000, respectively.	6,145,000
	56,470,000

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, 2017 were as follows:

\$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%	\$ 32,750,000
\$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.	210,000
	32,960,000

The Water and Sewer Fund annual total revenue of approximately \$15 million is pledged to pay the principal and interest on these revenue bonds which was \$1,977,750 for the year ended June 30, 2017.

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, 2017 were as follows:

\$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.	215,000

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, 2017 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	10,640,650

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%.	1,709,376
Total Debt Payable	\$ 101,995,026

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

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

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

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

The following is a summary of debt transactions of the City for the fiscal year ended June 30, 2017:

Table 8: Summary of Debt Transactions

	Debt Payable July 1, 2016	Debt Acquired	Debt Retired	Debt Payable June 30, 2017
Tennessee Local Government Public Improvement Bond Financing Program	$ 660,000	$ -	$ 445,000	$ 215,000
Tennessee Revolving Fund	1,813,644	-	104,268	1,709,376
Tennessee State School Bond Authority	11,808,749	-	1,168,099	10,640,650
General Obligation Bonds	59,785,000	-	3,315,000	56,470,000
Revenue Bonds	33,665,000	-	705,000	32,960,000
Totals	$ 107,732,393	$ -	$ 5,737,367	$ 101,995,026

The following discloses the City's debt service requirements as of June 30, 2017 for the next five (5) years and in five (5)-year increments thereafter:

Table 9: Debt Service Requirements

Fiscal Years	Governmental Activities		Business-Type Activities		
Ending June 30,	Principal	Interest	Principal	Interest	Total
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
2022	3,966,099	1,487,608	2,222,572	1,597,967	9,274,246
Subtotal	18,025,495	8,487,432	12,624,796	9,136,878	48,274,601
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
2027	2,480,000	657,650	2,033,100	1,226,127	6,396,877
Subtotal	19,092,155	5,485,022	9,887,940	6,865,655	41,330,772
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
2032	2,150,000	207,000	2,100,000	800,500	5,257,500
Subtotal	12,520,000	1,887,175	10,344,640	4,884,481	29,636,296

(Continued)

NOTE 7 – LONG-TERM DEBT (Continued):

The following discloses the City's debt service requirements as of June 30, 2017 for the next five (5) years and in five (5)-year increments thereafter:

Table 9: Debt Service Requirements (Continued)

Fiscal Years Ending June 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Total
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
2036	-	-	2,500,000	392,500	2,892,500
3037	-		2,600,000	267,500	2,867,500
Subtotal	4,750,000	226,800	12,000,000	2,476,500	19,453,300
2038	-	-	2,750,000	137,500	2,887,500
Totals	$ 54,387,650	$ 16,086,429	$ 47,607,376	$ 23,501,014	$ 141,582,469

The follow is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2017:

Table 10: Summary of Changes in Long-term Liabilities

	Beginning Balance July 1, 2016	**Additions**	**Reductions**	**Ending Balance June 30, 2017**	**Amounts Due Within One Year**
Governmental Activities:					
Debt Payable:					
Loans payable – Tennessee Local Government Public Improvement Bond Financing Program	$ 660,000	$ -	$ 445,000	$ 215,000	$ 215,000
Loan Payable – Tennessee State School Bond Authority	11,808,749	-	1,168,099	10,640,650	1,168,099
General Obligation bonds payable	45,347,000	-	1,815,000	43,532,000	373,000
Premium on bonds	1,733,073	-	170,109	1,562,964	163,061
Total Debt Payable	59,548,822	-	3,598,208	55,950,614	1,919,160
Other Liabilities:					
Capital lease obligations	12,094,078	-	723,123	11,370,955	746,819
Compensated absences	1,874,599	756,212	509,753	2,121,058	726,277
Accrued post-employment benefit obligations	5,304,853	1,921,277	705,735	6,520,395	-
Total Other Liabilities	19,273,530	2,677,489	1,938,611	20,012,408	1,473,096
Total Long-term Liabilities – Governmental Activities	$ 78,822,352	$ 2,677,489	$ 5,536,819	$ 75,963,022	$ 3,392,256

(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, 2017:

Table 10: Summary of Changes in Long-term Liabilities

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Business-type Activities:					
Debt Payable:					
Loans payable – Tennessee Revolving Fund	$ 1,813,644	$ -	$ 104,268	$ 1,709,376	$ 106,440
Revenue bonds payable	33,665,000	-	705,000	32,960,000	460,000
General Obligation bonds payable	14,438,000	-	1,500,000	12,938,000	1,840,000
Premium on bonds	621,497	-	98,234	523,263	96,490
Total Debt Payable	50,538,141	-	2,407,502	48,130,639	2,502,930
Other Liabilities:					
Compensated absences	1,560,569	670,220	583,050	1,647,739	560,184
Accrued post-employment benefit obligations	1,233,918	272,954	104,406	1,402,466	-
Total Other Liabilities	2,794,487	943,174	687,456	3,050,205	560,184
Total Long-term Liabilities - Business-type Activities	$ 53,332,628	$ 943,174	$ 3,094,958	$ 51,180,844	$ 3,063,114

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, 2017, the City's share of debt service was $30,979 ($30,000 principal and $979 interest). Future annual principal payments of $37,500 are due through June 30, 2018. 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 10 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 ten years of service credit. Service related disability benefits are provided regardless of length of service. Ten 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	252
Inactive employees entitled to but not yet receiving benefits	331
Active employees	440
	1,023

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, 2017, employer contributions for Maryville were $2,176,824 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, 2016, 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, 2016 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, 2016 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 11: 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, 2015	$ 74,148,236	$ 71,541,593	$ 2,606,643
Changes for the year:			
Service cost	1,513,305	-	1,513,305
Interest	5,608,121	-	5,608,121
Differences between expected and actual experience	559,325	-	559,325
Contributions – employer	-	2,145,242	(2,145,242)
Contributions – employees	-	1,030,868	(1,030,868)
Net investment income	-	1,918,675	(1,918,675)
Benefit payments, including refunds of employee contributions	(2,831,775)	(2,831,775)	-
Administration expense	-	(29,514)	29,514
Net changes	4,848,976	2,233,496	2,615,480
Balance at June 30, 2016	$ 78,997,212	$ 73,775,089	$ 5,222,123

Net Pension Liability (Asset) (Continued)

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)	$ 16,289,154	$ 5,222,123	$ (3,979,797)

(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, 2017, Maryville recognized pension expense of $842,797.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, 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	$ 466,105	$ 601,615
Net difference between projected and actual earnings on pension plan investments	2,515,023	-
Contributions subsequent to the measurement date of June 30, 2016	2,176,824	-
Total	$ 5,157,952	$ 601,615

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," 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:	
2018	$ 140,271
2019	140,271
2020	1,238,724
2021	765,547
2022	94,700
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, 2017, Maryville reported no outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2017. Rather, it was recorded as an outstanding item from cash.

(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, 2017 to the Teacher Legacy Pension Plan were $2,146,344 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, 2017, the Maryville City Schools reported a liability of $4,002,292 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, Maryville City Schools' proportion was 0.640423 percent. The proportion measured as of June 30, 2015 was 0.614098 percent.

Pension Expense. For the year ended June 30, 2017, Maryville City Schools recognized pension expense of $612,102.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, 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	$ 168,431	$ 4,845,449
Net difference between projected and actual earnings on pension plan investments	4,468,613	-
Changes in proportion of Net Pension Liability (Asset)	601,672	-
LEAs contributions subsequent to the measurement date of June 30, 2016	2,146,340	-
Total	$ 7,385,056	$ 4,845,449

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

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

Maryville City Schools' employer contributions of $2,146,344 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, 2018. 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:	
2018	$ (608,460)
2019	(608,460)
2020	1,535,131
2021	350,875
2022	(275,819)
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, 2016 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, 2016 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%

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

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

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

General Information about the Pension Plan (Continued)

Actuarial assumptions (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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)	$ 21,977,274	$ 4,002,292	$ (10,887,372)

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, 2017, Maryville City Schools' reported no payables for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2017.

(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:

General Information about the Pension Plan

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, 2017 to the Teacher Retirement Plan were $46,825, 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, 2017, Maryville City Schools reported an asset of $17,663 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, 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, 2016, Maryville City Schools' proportion was 0.169669 percent. The proportion measured as of June 30, 2015 was 0.098802 percent.

Pension expense. For the year ended June 30, 2017, Maryville City Schools' recognized a pension expense of $14,622.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, 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	$ 1,711	$ 2,037
Net difference between projected and actual earnings on pension plan investments	2,892	-
Change in proportion of net pension liability (asset)	-	1,988
LEA's contributions subsequent to the measurement date of June 30, 2016	46,825	-
TOTAL	$ 51,428	$ 4,025

(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 $46,825, 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:	
2018	$ 549
2019	549
2020	549
2021	411
2022	(208)
Thereafter	(1,272)

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.

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.

(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

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)	$ 8,341	$ (17,663)	$ (36,823)

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, 2017, Maryville City Schools' reported no payable for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2017.

(D) CITY OF MARYVILLE UTILITIES RETIREMENT PROGRAM:

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

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

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

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

Total pension expense in 2017 was $177,162 for employees hired before June 30, 1988. Pension expense for those hired after that date is more fully disclosed in **(A)** above.

(Continued)

NOTE 8 - EMPLOYEES' RETIREMENT SYSTEM (Continued):

(E) DEFERRED COMPENSATION PLAN:

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

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

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

(F) DEFINED CONTRIBUTION PLAN:

Maryville City Schools contributes to the Higher Education and Teacher Hybrid Plan, a defined contribution pension plan under section 401(k) of the Internal Revenue Code, for teachers with membership in the Tennessee Consolidated Retirement System after June 30, 2014. This plan is a component of the defined benefit plan reported in Part (C) of this Note. Benefit terms, including contribution requirements, for the Plan are established by Tennessee Code Annotated Title 8, Chapters 34-37 and may be amended by the Tennessee General Assembly. For each employee in the pension plan the Maryville City Schools is required to contribute 5% of annual salary to an individual employee account. Employees have a 2% contribution, with an opt-out feature. For the year ended June 30, 2017 the Maryville City Schools recognized pension expense of $59,320. Employees are immediately vested on all contributions and earnings on those contributions.

The Maryville City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

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 five (5) 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.

(Continued)

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

(A) CITY RETIREES (Continued):

Funding Policy:

The Plan is funded both by the retiree and the City. The retiree has a required annual contribution rate of $2,952. 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.

Table 12: Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	$ 627,130
Interest on Net OPEB Obligation	137,166
Adjustments on Annual Required Contributions	(115,882)
Annual OPEB Costs	648,414
Annual Employer Contribution	(248,014)
Increase in Net OPEB Obligations	400,400
Net OPEB Obligation, July 1, 2016	3,048,143
Net OPEB Obligation, June 30, 2017	$ 3,448,543

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, 2017	$ 648,414	38.2%	$ 3,448,543
June 30, 2016	600,838	41.0%	3,048,143
June 30, 2015	508,345	44.4%	2,693,519

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2017 was as follows:

Actuarial valuation date	January 1, 2017
Actuarial accrued liability (AAL)	$ 7,749,278
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	7,749,278
Actuarial value of assets as a % of the AAL	0%
Covered payroll	16,354,803
UAAL as a % of Covered payroll	47.38%

Funding Status and Funding Progress (Continued):

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.

(Continued)

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

(A) CITY RETIREES (Continued):

Actuarial Methods and Assumptions (Continued):

In the January 1, 2017 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 8% initially, reduced by decrements to an ultimate rate of 5% after twelve 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.

(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	$ 9,323	$ 5,714
Spouse	4,661	652

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

Table 13: Annual OPEB Cost and Net OPEB Obligation:

Annual Required Contribution	$ 1,518,759
Interest on Net OPEB Obligation	157,078
Adjustments on Annual Required Contributions	(130,020)
Annual OPEB Costs	1,545,817
Annual Employer Contribution	(562,124)
Increase in Net OPEB Obligations	983,693
Net OPEB Obligation, July 1, 2016	3,490,628
Net OPEB Obligation, June 30, 2017	$ 4,474,321

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, 2017	$ 1,545,817	36.4%	$ 4,474,321
June 30, 2016	1,501,007	53.4%	3,490,628
June 30, 2015	1,334,147	54.9%	2,791,832

(Continued)

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

(B) SCHOOL RETIREES (Continued):

Funding Status and Funding Progress:

The funded status of the plan as of June 30, 2017 was as follows:

Actuarial valuation date		January 1, 2017
Actuarial accrued liability (AAL)	$	15,152,261
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		15,152,261
Actuarial value of assets as a % of the AAL		0%
Covered payroll		27,365,028
UAAL as a % of Covered payroll		55.4%

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, 2017 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 twelve 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.

(Continued)

NOTE 11 - SELF-INSURANCE (Continued):

(A) WORKMEN'S COMPENSATION (Continued):

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, 2017.

(B) EMPLOYEE'S BENEFITS - MEDICAL PLAN:

The City of Maryville, Tennessee, previously entered into a self-insured program for employee medical benefits. The City of Maryville Utilities (Enterprise Funds) and the City of Maryville Board of Education share with the City of Maryville, Tennessee, jointly in the claims filed by their employees, and the rate of the premiums paid into the fund is based on prior experience and insurance company recommendations.

The self-insurance plan is augmented by coverage with Sun Life of Canada, whereby coverage is extended for claims exceeding $150,000 per employee. Thus, the City was subject to a maximum liability of $119,550,000 (797 employees at $150,000 each) for health insurance claims during the fiscal year ended June 30, 2017.

(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 14 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 14: 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				
2014-2015	$ -	$ 7,849,162	$ 7,849,162	$ -
2015-2016	-	8,837,586	8,837,586	-
2016-2017	-	9,034,070	8,455,070	579,000
Retiree Medical Self-Insurance				
2014-2015	$ -	$ 924,571	$ 924,571	$ -
2015-2016	-	734,977	734,977	-
2016-2017	-	755,116	726,116	29,000
Workmen's Compensation Self-Insurance				
2014-2015	$ -	$ 138,853	$ 138,853	$ -
2015-2016	-	115,390	115,390	-
2016-2017	-	386,616	201,616	185,000

(Continued)

NOTE 12 – CONSTRUCTION CONTRACTS:

As of June 30, 2017, the City of Maryville, Tennessee had the following commitments with respect to unfinished construction–in–progress:

Table 15: Summary of Construction Contracts in Progress

Project Name	Total Contract or Estimated Amount	Costs Incurred Through June 30, 2017	Estimated Cost to Complete
Culinary Arts Building	$ 1,610,700	$ 1,560,205	$ 50,495
Clydesdale Street Water and Sewer Extension	513,095	386,578	126,517
Foothills Mall Road Extension – Design Phase	414,000	148,093	265,907
Robert C. Jackson Drive Extension Design Phase	797,100	210,226	586,874
Browns Creek Sewer Project	2,679,029	1,665,247	1,013,782
Traffic Operations Improvement Phase II	364,500	158,296	206,204
Team Buildfing	255,211	241,521	13,690
	$ 6,633,635	$ 4,370,166	$ 2,263,469

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, 2017, the City of Maryville contributed $778,958 to the Library.

Summary financial information, as required by generally accepted accounting principles, for the fiscal year ended June 30, 2017, is presented as follows:

Table 16: Blount County Public Library (Summary)

Revenues	$ 1,215,947
Other Sources – Operating transfers	978,667
Expenditures	(2,251,458)
Excess of Expenditures Over Revenues and Other Sources	(56,844)
Fund Balance – July 1, 2016	811,299
Fund Balance – June 30, 2017	$ 754,455
Total Assets	$ 862,163
Total Liabilities	$ 107,708
Fund Balance	**$ 754,455**

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, 2017, the City of Maryville, Tennessee contributed $162,396 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, the most recent fiscal year available, is presented below:

Table 17: 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, 2017, the City of Maryville, Tennessee contributed $755,259 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, the most recent fiscal year available, is presented below:

Table 18: 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, 2017, is presented in Table 19.

No joint venture debt was reported on the financial statements of the Authority as of June 30, 2017.

Table 19: Cable Television Authority (Summary)

Revenues	$ 1,058,508
Expenditures	25,829
Excess of Revenues Over Expenditures Before Franchise Fee Distributions	1,032,679
Franchise Fee Distributions to County and Cities	1,033,362
Change in Net Position	(683)
Net Position - July 1, 2016	18,363
Net Position - June 30, 2017	$ 17,680
Total Assets	$ 266,883
Total Liabilities	$ 249,203
Net Position	**$ 17,680**

(Continued)

NOTE 13 - JOINT VENTURES (Continued):

(B) 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.

(C) 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, 2017, the City of Maryville contributed $362,375 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, the most recent fiscal year available, is presented below:

Table 20: 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	48,018,016
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, 2017, fund balance is classified as follows:

Table 21: Fund Balance Summary

	Major Governmental Funds				
	General Fund	General Purpose School Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Nonspendable - Inventory	$ -	$ -	$ -	$ 49,434	$ 49,434
Restricted To:					
School construction	-	-	-	437,174	437,174
Capital Projects	-	-	-	908,830	908,830
Streets and roads	-	-	-	1,273,020	1,273,020
Special projects	-	-	-	91,013	91,013
Geographic information	-	-	-	67,261	67,261
Committed To:					
Education	-	-	-	597,677	597,677
Drug enforcement	-	-	-	183,845	183,845
Economic development	-	-	-	154,748	154,748
Culture and recreation	-	-	-	54,954	54,954

(Continued)

NOTE 15 - FUND BALANCE (Continued):

Table 21: Fund Balance Summary (Continued)

	Major Governmental Funds				
	General Fund	**General Purpose School Fund**	**Debt Service Fund**	**Nonmajor Governmental Funds**	**Totals**
Assigned To:					
Balance 2018 Budget	158,694	-	-	-	158,694
Capital Projects	-	-	-	404,905	404,905
Education	-	7,113,520	-	567,921	7,681,441
Debt	-	-	107,343	-	107,343
Drug enforcement	-	-	-	17,298	17,298
Economic development	-	-	-	28,365	28,365
Geographic information	-	-	-	73,822	73,822
Central traffic operation	-	-	-	6,418	6,418
Grant projects	-	-	-	286,830	286,830
Equipment replacement	-	-	-	940,074	940,074
Public Works	-	-	-	327,439	327,439
Unassigned	10,384,423	-	-	-	10,384,423
Totals	$10,543,117	$ 7,113,520	$ 107,343	$ 6,471,028	$ 24,235,008

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.

A 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. The plaintiff appealed and the matter is currently under consideration by the Court of Appeals in the Eastern District of Tennessee.

(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 will be reduced by $12,857,400. Payments by Maryville College through June 30, 2017 have reduced the City's Lease Obligation by $8,459,265.

The underlying Bonds are 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, 2017 is as follows:

Capital Lease Obligation 7/1/2016	New Leases Acquired	Payments on Lease Obligations	Capital Lease Obligation 6/30/2017
$ 12,094,078	$ -	$ 723,123	$ 11,370,955

The following presents a summary of the Capital Lease Commitments as of June 30, 2017:

Present Value Of Minimum Lease Payments	Interest	Total Minimum Lease Payments
$ 11,370,955	$ 3,565,103	$ 14,936,058

(Continued)

NOTE 18- CAPITAL LEASE OBLIGATIONS (Continued):

These total minimum lease payments are payable as follows:

Year Ended June 30,	Amount
2018	$ 1,194,233
2019	1,209,733
2020	1,224,183
2021	1,237,584
2022	1,121,800
Subtotal	5,987,533
2023 – 2027	5,758,275
2028 – 2031	3,190,250
Subtotal	8,948,525
	$ 14,936,058

NOTE 19 – TAX ABATEMENTS:

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee has one agreement that abates Maryville property taxes for fiscal 2017 as authorized by Tennessee Code Annotated 7-53-101 through 7-53-311 for the purpose of economic development. This agreement was entered with FHM Anchor, Inc. on April 29, 2011 and it provides for a payment in lieu of taxes to the City of $22,865.72 annually through December 31, 2019 and 25% of this amount for the three months ending March 31, 2020. For fiscal year 2017, revenue to the City was reduced by $33,423.28 as a result of this agreement. There are no provisions for recapturing abated taxes; however, if the facility does not operate for six consecutive months as its intended purpose, the tax abatement ends.

NOTE 20 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 10, 2017, 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 2018.

Refunding Bond Issues

On October 3, 2017, the City Council authorized two refunding bond issues in the maximum amount of $66,150,000 to advance refund four bonds eligible to be refunded, which have a principal balance of $62,530,000. On November 6, 2017, two series of refunding bonds were sold in the amount of $59,595,000 with the sale closing scheduled for December 1, 2017. The City will realize a reduction of future debt service payments of $10.3 million and a net present value savings of $8.2 million.

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