NEW ISSUE
Book-Entry-Only

Rating: S&P: "AA Stable"

PRELIMINARY OFFICIAL STATEMENT

$33,000,000*
CITY OF PIGEON FORGE, TENNESSEE
General Obligation Bonds, Series 2018

OFFERED FOR SALE NOT SOONER THAN
Monday, October 15, 2018 at 11:15 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

October 5, 2018

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2018

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "AA Stable"
(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, county and municipal taxation in the State of Tennessee except franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$33,000,000*
CITY OF PIGEON FORGE, TENNESSEE
General Obligation Bonds, Series 2018

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

The $33,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City of Pigeon Forge, 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 June 1, 2019 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 shall be additionally secured by and payable from tax revenues received by the Municipality under the "Convention Center and Tourism Development Financing Act of 1998" (Section 7-88-101, et seq., Tennessee Code Annotated) as is further described herein.

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 **
2019	$ 1,140,000				2028	$ 2,000,000			
2020	1,520,000				2029	2,070,000			
2021	1,570,000				2030	2,145,000			
2022	1,625,000				2031	2,220,000			
2023	1,685,000				2032	2,295,000			
2024	1,745,000				2033	2,375,000			
2025	1,805,000				2034	2,460,000			
2026	1,865,000				2035	2,545,000			
2027	1,935,000								

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Ogle, Wyrick & Associates, P.C., 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 November __, 2018.

Cumberland Securities Company, Inc.
Financial Advisor

October __, 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 PIGEON FORGE, TENNESSEE

BOARD OF COMMISSIONERS

David Wear, *Mayor*
Kevin J. McClure, *Vice Mayor*
Ken Maples, *Commissioner*
Jay Ogle, *Commissioner*
Tony Watts, *Commissioner*

CITY OFFICIALS

Earlene M. Teaster
City Manager

Dennis Clabo
City Recorder

Cynthia Wyrick, Esq.
City Attorney

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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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

Issuer	City of Pigeon Forge, Tennessee (the "City", "Municipality" or "Issuer"). See APPENDIX B contained herein.
The Bonds.....................................	The $33,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City, dated the date of delivery (estimated to be November __, 2018). The Bonds will mature each June 1 beginning June 1, 2019 through June 1, 2035, 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 Pigeon Forge, Tennessee are irrevocably pledged. The Bonds shall be additionally secured by and payable from tax revenues received by the Municipality under the "Convention Center and Tourism Development Financing Act of 1998" (Section 7-88-101, et seq., Tennessee Code Annotated) as is further described herein.
Purpose	The Bonds are being issued for the purpose of financing, in whole or in part, (i) the acquisition of land for parking facilities, rights-of-way, highways, streets, roads, sidewalks, bridges, and related utilities; (ii) the construction and equipping of parking facilities, rights-of-way, highways, streets, roads, sidewalks, bridges, urban transit facilities and related utilities; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing; (v) interest on the Bonds during the construction of the projects referenced herein and for up to six (6) months thereafter; and (vi) payment of the costs related to the issuance and sale of the bonds referenced herein.
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..	"S&P: "AA Stable". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor, Related Parties; 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. Dennis Clabo, City Recorder, 3221 Rena Street, Pigeon Forge, Tennessee 37868-1350 (865) 453-9061; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

GENERAL FUND BALANCES

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

	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	$ 54,415,899	$42,794,310	$39,477,786	$46,017,903	$40,895,280
Revenues	41,141,745	42,055,698	46,470,302	51,590,721	53,769,242
Expenditures	51,395,449	44,267,152	57,869,327	52,016,924	50,756,687
Other Financing Sources:					
Transfers In	$ -	$ -	$ -	$ -	$ -
Transfers Out	(1,367,885)	(1,105,070)	(2,008620)	(4,696,411)	(2,162,079)
Debt Issuance	-	-	-	-	5,359,123
Excess of Revenues Over (Under) Expenditures	(11,621,589)	(3,316,524)	6,540,117	(5,122,614)	6,662,339
Adjustments	-	-	-	(9)	-
Ending Fund Balance	**$42,794,310**	**$39,477,786**	**$46,017,903**	**$40,895,278**	**$47,557,619**

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

SUMMARY NOTICE OF SALE

$33,000,000*

CITY OF PIGEON FORGE, TENNESSEE

General Obligation Bonds, Series 2018

NOTICE IS HEREBY GIVEN that the Mayor of the City of Pigeon Forge, Tennessee (the "City") will receive electronic or written sealed bids until **11:15 a.m. E.D.T.** on **Monday, October 15, 2018** for the purchase of all, but not less than all, of the City's $33,000,000* 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 November 1, 2018). The Bonds will mature on June 1 in the years 2019 through 2035, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2019, and will be subject to optional redemption prior to maturity on or after June 1, 2026 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 PIGEON FORGE, TENNESSEE
By: David Wear, Mayor

* Preliminary, subject to change.

DETAILED NOTICE OF SALE

$33,000,000*

CITY OF PIGEON FORGE, TENNESSEE

General Obligation Bonds, Series 2018

NOTICE IS HEREBY GIVEN that the Mayor of the City of Pigeon Forge, Tennessee (the "City") will receive electronic or written sealed bids until **11:15 a.m. E.D.T.** on **Monday, October 15, 2018** for the purchase of all, but not less than all, of the City's $33,000,000* General Obligation Bonds, 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 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 June 1, 2019. The Bonds will mature and be payable on June 1 of each year as follows:

YEAR (JUNE 1)	AMOUNT*	YEAR (JUNE 1)	AMOUNT*
2019	$ 1,140,000	2028	$ 2,000,000
2020	1,520,000	2029	2,070,000
2021	1,570,000	2030	2,145,000
2022	1,625,000	2031	2,220,000
2023	1,685,000	2032	2,295,000
2024	1,745,000	2033	2,375,000
2025	1,805,000	2034	2,460,000
2026	1,865,000	2035	2,545,000
2027	1,935,000		

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 bookentry- system maintained by DTC (the "Book-EntryOnly- System"). One fullyregistered- 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, 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

* Preliminary, subject to change.

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.

Security Pledged. 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 Pigeon Forge, Tennessee are irrevocably pledged. The Bonds shall be additionally secured by and payable from tax revenues received by the Municipality under the "Convention Center and Tourism Development Financing Act of 1998" (Section 7-88-101, et seq., Tennessee Code Annotated) as is further described herein.

Purpose. The Bonds are being issued for the purpose of financing, in whole or in part, ((i) the acquisition of land for parking facilities, rights-of-way, highways, streets, roads, sidewalks, bridges, and related utilities; (ii) the construction and equipping of parking facilities, rights-of-way, highways, streets, roads, sidewalks, bridges, urban transit facilities and related utilities; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing; (v) interest on the Bonds during the construction of the projects referenced herein and for up to six (6) months thereafter; and (vi) payment of the costs related to the issuance and sale of the bonds referenced herein.

Optional Redemption. 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.

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

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of 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 $8,250,000. 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 November 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/ David Wear, Mayor

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

CITY OF PIGEON FORGE, TENNESSEE
$33,000,000 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 Pigeon Forge, 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 October 15, 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 David Wear, Mayor October 15, 2018
3221 Rena Street
Pigeon Forge, Tennessee 37868-1350

Dear Mr. Wear:

For your legally issued, properly executed $33,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City of Pigeon Forge, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of ____ ($___________________________).

The Bonds shall be dated the date of issuance (assume November 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
2019	$ 1,140,000	___	2028	$ 2,000,000	___
2020	1,520,000	___	2029	2,070,000	___
2021	1,570,000	___	2030	2,145,000	___
2022	1,625,000	___	2031	2,220,000	___
2023	1,685,000	___	2032	2,295,000	___
2024	1,745,000	___	2033	2,375,000	___
2025	1,805,000	___	2034	2,460,000	___
2026	1,865,000	___	2035	2,545,000	___
2027	1,935,000	___			

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 Pigeon Forge, Tennessee, this
15 th day of October, 2018

____
David Wear, Mayor

Respectfully submitted,

____
____

Total interest cost from
November 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.

$33,000,000*
CITY OF PIGEON FORGE, 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 Pigeon Forge, Tennessee (the "City", "Municipality" or "Issuer") of its $33,000,000* 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 July 23, 2018.

The Bonds are being issued for the purpose of financing, in whole or in part, (i) the acquisition of land for parking facilities, rights-of-way, highways, streets, roads, sidewalks, bridges, and related utilities; (ii) the construction and equipping of parking facilities, rights-of-way, highways, streets, roads, sidewalks, bridges, urban transit facilities and related utilities; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing; (v) interest on the Bonds during the construction of the projects referenced herein and for up to six (6) months thereafter; and (vi) payment of the costs related to the issuance and sale of the bonds referenced herein.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume November 1, 2018). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2019. 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. The Bonds shall be additionally secured by and payable from tax revenues received by the Municipality under the

* Preliminary, subject to change.

"Convention Center and Tourism Development Financing Act of 1998" (Section 7-88-101, et seq., Tennessee Code Annotated) (the "Tourism Development Zone Revenues") subject to any prior liens on such revenues as to which the Bonds are not permitted to hold a parity lien, if any. The Municipality shall be entitled to issue additional bonds or other obligations in the future that are secured by a senior lien on or on a parity of lien with such revenues described above without any consent of the holders of the Bonds.

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 property tax levy described above may be reduced to the extent of any direct appropriations from other funds, taxes and revenues of the Municipality to the payment of debt service on the Bonds, including available Tourism Development Zone Revenues.

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.

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

S&P Global Ratings ("S&P") has given the Bonds the rating of "AA Stable".

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on October 15, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 5, 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 not authorized any additional debt as of the date hereof. The City may 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 Filing History. In the past five years, the City has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 721014 which is the base CUSIP Number for the City; however, the City inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the City was an obligated person. The City has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number.

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

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

Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-20;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-21 and B-22;

3. Information about the Bonded Debt Service Requirements – General Obligation Fund as of the end of such fiscal year as shown on page B-23;

4. Information about Bonded Debt Service Requirments – Water System as of the end of such fiscal year as shown on page B-24;

5. Information about Bonded Debt Service Requirments – Tourism Development Zone as of the end of such fiscal year as shown on page B-25;

6. The fund balances and retained earnings for the fiscal year as shown on page B-27;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-28;

8. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer for the fiscal year as shown on page B-29;

9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated appraised value of all taxable property for such year as shown on page B-35;

10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-; and

11. The ten largest taxpayers as shown on page B-36.

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 Pigeon Forge, 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 Commission 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. The Bonds shall be additionally payable from and secured by all taxes received by the Municipality under the Convention Center and Tourism Development Financing Act of 1998 (Section 7-88-101, et seq., Tennessee Code Annotated).

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 PIGEON FORGE, TENNESSEE

GENERAL INFORMATION

LOCATION

The City of Pigeon Forge (the "City") is located in Sevier County, Tennessee at the foothills of the Great Smoky Mountains. Sevier County (the "County") is bordered to the north by Jefferson County and to the east by Cocke County. The state of North Carolina provides the County's southern border. Blount and Knox Counties make up the County's western border. Pigeon Forge is approximately 30 miles southeast of Knoxville and directly adjacent to Sevierville, the County seat. Incorporated towns within Sevier County include Gatlinburg, the principal resort town for the Great Smoky Mountains National Park area, Sevierville, Pigeon Forge and Pittman Center. The City is within a day's drive of two-thirds of the population of the United States.

GENERAL

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

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

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The 2010 Census estimated that Sevier County's population was 89,889 and the City of Sevierville was 14,807. The 2010 Census estimated that the City of Pigeon Forge in 2010 was 5,875.

TRANSPORTATION

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

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

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

EDUCATION

The *Sevier County School System,* which serves all the cities in the County, is quite extensive serving its citizens with twenty-nine schools. This system had a fall 2016 combined enrollment of over 14,717 students and about 1,090 teachers. Five private/parochial schools and a vocational school also serve the County.

Source: Tennessee Department of Education.

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

Walters State Community College, a public two-year higher education institution founded in 1970, is located in Morristown, Tennessee. The college offers programs of study that lead to the Associate of Science, Associate of Arts, and Associate of Applied Science degrees. Fall 2016 enrollment was 6,004 students. There are four principal campuses in Hamblen, Sevier, Greene, and Claiborne counties. Walters State serves ten predominantly rural East Tennessee counties in the mountains and foothills of the Great Smokies and Clinch Mountains. The primary service area includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Sevier, and Union.

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

The Tennessee Technology Center at Morristown Sevierville Campus. The Tennessee Technology Center at Morristown is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Morristown serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The Technology Center at Morristown main campus is located in Hamblen County. Fall 2015 enrollment was 1,068 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

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

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HEALTHCARE

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

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

Source: Knoxville News Sentinel.

SOCIAL AND DEMOGRAPHIC DATA

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

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

Social and Economic Characteristics

	National	Tennessee	Sevier County	Pigeon Forge	Sevierville
Median Value Owner Occupied Housing	$184,700	$146,000	$158,200	$168,900	$166,300
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	83.5%	78.5%	83.8%
% Persons with Income Below Poverty Level	12.7%	15.8%	15.1%	10.6%	23.3%
Median Household Income	$55,322	$46,574	$42,586	$34,949	$37,784

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

POWER PRODUCTION

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

Source: Tennessee Valley Authority.

NOVEMBER 2016 WILDFIRES

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

The firestorm raced through the GSMP, Gatlinburg, Tennessee and a very small portion of Pigeon Forge, Tennessee. The wildfires covered more than 17,100 acres, killing 14 people, injuring 190 people, displacing more than 14,000 residents and visitors, and destroying or damaging 2,460 homes and businesses — 1,137 in Gatlinburg, 18 in Pigeon Forge and 1,305 in Sevier County (there was no damage in Sevierville, Tennessee). Downtown Gatlinburg was spared from the fires.

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

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

The My People Fund. The Dollywood Foundation, a 501(c)(3) nonprofit, pledged through the My People Fund to donate $1,000 a month for six months to any family who lost their primary residence (renters and homeowners) due to the wildfires in Sevier County. The

Dollywood Foundation also accepted donations to the My People Fund through a nationally televised telethon on December 13, 2016.

Dolly Parton hosted the telethon that featured performers such as Dolly Parton, Kenny Rogers, Hank Williams Jr., Chris Stapleton, Reba McEntire, Alison Krauss, Michael W. Smith, Chris Janson, Big & Rich, LOCASH, Chris Young, Montgomery Gentry, Jamey Johnson, Cyndi Lauper, Don McLean, Amy Grant, Alabama, Aaron Lewis and Rhonda Vincent. $9 million was raised the night of the telethon, with more donations being collected afterwards. Many high-profile donors donated $50,000 or more each: Verizon, Tanger Outlets, Miley Cyrus' Happy Hippie Foundation, CoreCivic, The Blalock Company, Tennessee Titans, Nashville Predators, Country Music Television, Country Music Association, the Academy of Country Music and ACM Lifting Lives, Paula Deen, Taylor Swift, Kenny Chesney, Paul Simon and many other recording artists.

Source: the Knoxville News Sentinel.

TOURISM

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

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

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

The main tourist attraction in the area is the Great Smoky Mountains National Park. The National Park Service ranked the Great Smoky Mountains a top national park in visitor spending.

The Smokies estimated nine million visitors spent almost double what was spent at Arizona's Grand Canyon, the next national park on the list.

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

Pigeon Forge

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

The major portion of the commercial activity in Pigeon Forge is devoted to the tourism industry. Pigeon Forge has about a 2010 U.S. Census population of 5,875, yet visitors can boost the daily population to upwards of 50,000. The temporary population gain is the result of approximately 10,000 lodging units inside the city limits-hotels, motels, condominiums, cabins, log homes and campgrounds. The City is visited by more than 11,000,000 tourists a year. The 2013 gross revenue was over $937 million.
Source: Pigeon Forge Development.

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

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

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

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

The LeConte Center was undamaged in the November 2016 wildfires.

Source: Pigeon Forge Convention Center.

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

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

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

The Titanic Museum was undamaged in the November 2016 wildfires.

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

The WonderWorks facility was undamaged in the November 2016 wildfires.

Gatlinburg

Tax Structure

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

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

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

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

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

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

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

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

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

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. The City of Gatlinburg in Sevier County is the gateway city to the Park. Over 500,000 acres were set aside in 1934 to form the Park. The Park includes 244,000 acres in Tennessee and 276,000 acres in North Carolina and covers a total 800 square miles. It includes 97 historic and 342 modern structures that are maintained by the Park. The Park is a hiker's paradise with over 800 miles of maintained trails, including the

Appalachian Trail. The Smoky Mountains have the most biological diversity of any area in the world's temperate zone. The Park is a sanctuary for a magnificent array of animal and plant life, all of which is protected for future generations to enjoy.

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

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

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

Source: National Park Service.

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

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

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

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

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

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

Source: Ober Gatlinburg Ski Resort and Amusement Park.

Ober Gatlinburg suffered no damage from the November 28, 2016 wildfires.

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

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

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

Ripley's Aquarium suffered no damage from the wildfires of November 2016.

Source: The Knoxville Sentinel.

Sevierville

Tax Structure

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

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

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

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

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

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

Sevier County

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

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

Source: Tennessee Valley Authority.

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

Source: Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

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

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

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

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Major Employers in the City of Pigeon Forge

Company	Product	Employees
Dollywood*	Amusement Park	4,000
Collier Foods	Restaurant	900
Fee Hedrick Family Entertainment	Entertainment	511
Family Inns of America	Hotels	475
City of Pigeon Forge	Government	400
Dixie Stampede	Dinner Theater	265
Holiday Inn	Motel	125
Kroger's	Grocery Store	125
The Track	Amusement Park	121
Best Western Motel	Motel	110

*Employment figure is based on Operating season, it drops to around 300 during the off-season.
Source: Department of Economic & Community Development, City of Sevierville Audit and Knoxville News Sentinel - 2018.

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

Major Employers in Sevier County

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

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

EMPLOYMENT INFORMATION

Due to seasonal nature of the tourism and agriculture industries, unemployment rates for the County fluctuate greatly during the course of the year For instance, 2017's rates ranged from 9.6% in January to 2.5% in September.

For the month of May 2018, the unemployment rate for the Sevierville mSA and Sevier County stood at 2.5% with 52,680 persons employed out of a labor force of 54,030. As of May 2018, the unemployment rate in the Knoxville-Sevierville-Harriman-LaFollette CSA stood at 2.8%, representing 528,400 persons employed out of a workforce of 543,560.

Unemployment

	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
Sevierville mSA & Sevier County	**8.5%**	**7.1%**	**6.0%**	**4.9%**	**4.0%**
Index vs. National	115	115	113	100	91
Index vs. State	109	108	107	104	108
Knoxville-Sevierville-Harriman CSA	**7.6%**	**6.4%**	**5.5%**	**4.6%**	**3.7%**
Index vs. National	103	103	104	94	84
Index vs. State	97	97	98	98	100

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

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ECONOMIC DATA

Per Capita Personal Income

	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
Sevierville mSA & Sevier County	**$31,615**	**$32,350**	**$33,411**	**$35,071**	**$36,285**
Index vs. National	71	73	72	72	74
Index vs. State	82	83	83	83	84
Knoxville-Sevierville-Harriman CSA	**$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

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

RECENT DEVELOPMENTS

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

Pigeon Forge

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

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

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

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

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

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

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

Phase Two was opened late 2014 with 80 percent of the entire facility leased and with a $2.7 million show fountain and a 132-room four-star hotel. A second location for the Ole Smoky Moonshine opened a 6,000-square-foot still, tasting bar and retail store in The Island in 2014. Also opened was Jimmy Buffett's Margaritaville restaurant. A Margaritaville hotel with 132 rooms is set to open in fall 2014.

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

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

Source: Knoxville News Sentinel and The Ripken Experience.

Gatlinburg

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

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

Sevierville

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

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

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

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

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

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

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CITY OF PIGEON FORGE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE		DUE DATE	INTEREST RATE(S)			OUTSTANDING[1] (06/30/2018)
$5,100,000 General Obligation Refunding Bonds, Series 2009A	(2)	June 2020	Fixed		$	390,000
$17,750,000 General Obligation Refunding Bonds, Series 2009B		June 2020	Fixed			4,530,000
$45,000,000 General Obligation Bonds, Series 2010 (Federally Taxable RZEDB's)	(2)(9)	June 2040	Fixed	(7)		45,000,000
$29,700,000 Loan Agreement, Series VII-K-1	2)(8)(9	June 2034	Variable/Synthetic	(4) & (5)		27,995,000
$49,445,000 Public Facility Bonds, Series 2011	(9)	June 2036	Fixed			47,750,000
$25,000,000 General Obligation Bonds, Series 2012	(9)	June 2037	Fixed			22,100,000
$9,750,000 General Obligation Bonds, Series 2014		June 2037	Fixed			8,740,000
$9,890,000General Obligation Bonds, Series 2015		June 2037	Fixed			8,800,000
$9,175,000 General Obligation Refunding Bonds, Series 2016	(9)	June 2028	Fixed			9,605,000
$9,605,000 General Obligation Refunding & Improvement Bonds, Series 2017	(2)(9)	June 2028	Fixed			9,145,000
TOTAL BONDED DEBT					$	184,055,000
Plus: $33,000,000 General Obligation Bonds, Series 2018		June 2035	Fixed		$	33,000,000
Less: Debt Supported with Water & Sewer System Revenues						(33,780,000)
Less: Debt Supported with Tourism Development Zone Revenues (Includes Current Issue)						(141,285,000)
NET BONDED DEBT					$	41,990,000

NOTES:

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

(2) All or a portion is additionally payable from revenues of the Water and Sewer Department

(3) Additionally Payable from lease revenues of the Theater and Entertainment Park.

(4) The Series IV-E-1 Bonds were swapped to a synthetic fixed rate pursuant to Interest Rate Swap Agreement. The swap agreement originally associated with the Series IV-E-1 Bonds is now associated with a portion of the VII-K-1 Bonds due to subsequent refinancings of the Series IV-E-1 Bonds. For more information, see the notes to the Financial Statements in the

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

(6) The Series 2008A Bonds are additionally payable by revenues received by the Premier Resort Tax. For more information, see the notes to the Financial Statement in the CAFR.

(7) Average Coupon of 3.8848% Net of Estimated U.S. Treasury Rebate.

(8) The Series VII-K-1 Bonds are held by Regions Bank at a rate determine monthly at a fixed percentage of 1-month LIBOR plus a fixed credit spread. Regions Bank has the option of tendering the Series VII-K-1 Bonds on December 1, 2019. If the Series VII-K-1 Bonds are optionally tendered, the the Series VII-K-1 Bonds would have to be remarketed or paid by the City.

(9) All or a portion is additionally payable from revenues of the Tourism Development Zone.

CITY OF PIGEON FORGE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

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

	For Fiscal Years Ended June 30					After Issuance
INDEBTEDNESS	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 29,530,000	$ 46,795,000	$ 43,640,000	$ 45,820,000	$ 41,990,000	$ 41,990,000
TOTAL TAX SUPPORTED	$ 29,530,000	$ 46,795,000	$ 43,640,000	$ 45,820,000	$ 41,990,000	$ 41,990,000
REVENUE SUPPORTED						
Water & Sewer System	$ 36,110,000	$ 35,565,000	$ 35,000,000	$ 34,405,000	$ 33,780,000	$ 33,780,000
Tourism Development Zone	112,469,990	111,680,000	110,395,000	109,680,000	108,285,000	141,285,000
TOTAL REVENUE SUPPORTED	$ 148,579,990	$ 147,245,000	$ 145,395,000	$ 144,085,000	$ 142,065,000	$ 175,065,000
TOTAL DEBT	$ 178,109,990	$ 194,040,000	$ 189,035,000	$ 189,905,000	$ 184,055,000	$ 217,055,000
Less: Revenue Supported Debt	$ (148,579,990)	$ (147,245,000)	$ (145,395,000)	$ (144,085,000)	$ (142,065,000)	$ (175,065,000)
Less: Debt Service Fund	-	-	-	-	-	-
NET DIRECT DEBT	$ 29,530,000	$ 46,795,000	$ 43,640,000	$ 45,820,000	$ 41,990,000	$ 41,990,000
PROPERTY TAX BASE						
Estimated Actual Value	$ 1,856,160,301	$ 1,884,236,921	$ 1,898,376,376	$ 2,021,925,467	$ 2,088,111,911	$ 2,088,111,911
Appraised Value	1,856,160,301	1,884,236,921	1,898,376,376	2,021,925,467	2,088,111,911	2,088,111,911
Assessed Value	609,637,790	622,374,540	625,618,625	675,461,650	700,068,948	700,068,948

	For Fiscal Years Ended June 30					After Issuance
DEBT RATIOS	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**
TOTAL DEBT to Estimated Actual Value	9.60%	10.30%	9.96%	9.39%	8.81%	10.39%
TOTAL DEBT to Appraised Value	9.60%	10.30%	9.96%	9.39%	8.81%	10.39%
TOTAL DEBT to Assessed Value	29.22%	31.18%	30.22%	28.11%	26.29%	31.00%
NET DIRECT DEBT to Estimated Actual Value	1.59%	2.48%	2.30%	2.27%	2.01%	2.01%
NET DIRECT DEBT to Appraised Value	1.59%	2.48%	2.30%	2.27%	2.01%	2.01%
NET DIRECT DEBT to Assessed Value	4.84%	7.52%	6.98%	6.78%	6.00%	6.00%
PER CAPITA RATIOS						
POPULATION (1)	6,132	6,171	6,199	6,199	6,199	6,199
PER CAPITA PERSONAL INCOME (2)	$33,411	$35,071	$36,285	$36,285	$36,285	$36,285
Estimated Actual Value to POPULATION	302,701	305,337	306,239	326,170	336,847	336,847
Assessed Value to POPULATION	99,419	100,855	100,923	108,963	112,933	112,933
Total Debt to POPULATION	29,046	31,444	30,494	30,635	29,691	35,015
Net Direct Debt to POPULATION	4,816	7,583	7,040	7,392	6,774	6,774
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	86.94%	89.66%	84.04%	84.43%	81.83%	96.50%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	14.41%	21.62%	19.40%	20.37%	18.67%	18.67%

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

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

CITY OF PIGEON FORGE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Fund

(Excludes Revenue Supported Debt)

As of June 30, 2018

FY Ended	**Total Bonded Debt Service Requirements**			% All Principal
6/30	Principal (1)	Interest (2)	TOTAL	Repaid
2019	3,995,000	1,349,485	5,344,485	9.51%
2020	4,115,000	1,195,310	5,310,310	
2021	1,890,000	1,042,110	2,932,110	
2022	1,940,000	978,210	2,918,210	
2023	2,000,000	916,410	2,916,410	33.20%
2024	2,055,000	863,410	2,918,410	
2025	2,105,000	808,098	2,913,098	
2026	2,170,000	751,460	2,921,460	
2027	2,240,000	691,518	2,931,518	
2028	1,660,000	627,525	2,287,525	57.56%
2029	1,735,000	580,000	2,315,000	
2030	1,775,000	530,275	2,305,275	
2031	1,835,000	478,338	2,313,338	
2032	1,900,000	422,350	2,322,350	
2033	1,965,000	363,100	2,328,100	79.50%
2034	2,050,000	292,250	2,342,250	
2035	2,110,000	218,250	2,328,250	
2036	2,180,000	147,125	2,327,125	
2037	2,270,000	75,063	2,345,063	100.00%
	$ 41,990,000	$ 12,330,285	$ 54,320,285	

NOTES:

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

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

CITY OF PIGEON FORGE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer System (Revenue and Tax)

As of June 30, 2018

	Existing Water and Sewer Debt					
FY Ended June 30	Principal	Interest[2]	Estimated U.S. Treasury Rebate	Estimated Sequestration	TOTAL	% Principal Repaid
2019	$ 655,000	$ 2,151,558	$ (714,032)	$ 38,320	$ 2,130,845	1.94%
2020	680,000	2,121,148	(714,032)	38,320	2,125,435	
2021	765,000	2,089,488	(714,032)	38,320	2,178,775	
2022	810,000	2,051,238	(714,032)	38,320	2,185,525	
2023	855,000	2,010,738	(714,032)	38,320	2,190,025	
2024	910,000	1,967,988	(714,032)	38,320	2,202,275	13.84%
2025	965,000	1,922,488	(714,032)	38,320	2,211,775	
2026	1,020,000	1,874,238	(714,032)	38,320	2,218,525	
2027	2,680,000	1,823,238	(714,032)	38,320	3,827,525	
2028	2,795,000	1,659,238	(664,532)	35,663	3,825,369	
2029	2,915,000	1,486,488	(612,557)	32,874	3,821,805	44.55%
2030	1,580,000	1,306,738	(559,007)	30,000	2,357,731	
2031	-	1,221,938	(549,872)	29,510	701,575	
2032	-	1,221,938	(549,872)	29,510	701,575	
2033	-	1,221,938	(549,872)	29,510	701,575	
2034	-	1,221,938	(549,872)	29,510	701,575	49.23%
2035	-	1,221,938	(549,872)	29,510	701,575	
2036	-	1,221,938	(549,872)	29,510	701,575	
2037	4,025,000	1,221,938	(549,872)	29,510	4,726,575	
2038	4,200,000	935,156	(420,820)	22,584	4,736,920	
2039	4,375,000	635,906	(286,158)	15,357	4,740,106	86.53%
2040	4,550,000	324,188	(145,884)	7,829	4,736,132	100.00%
	$ 33,780,000	$ 32,913,393	$ (12,964,348)	$ 695,754	$ 54,424,798	

NOTES:

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

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

CITY OF PIGEON FORGE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Tourism Development Zone

As of June 30, 2018

FY Ended	Existing General Obligation Debt [1]					Plus: General Obligation Bonds, Series 2018			% 2018 Principal	Total Bonded Debt Service Requirements			% All Principal
6/30	Principal	Interest[2]	Estimated U.S. Treasury Rebate	Estimated Sequestration	TOTAL	Principal	Interest[3]	TOTAL	Repaid	Principal (1)	Interest (2)	TOTAL	Repaid
2019	$ 1,450,000	$ 5,272,963	$ (714,381)	$ 38,338	$ 6,046,920	1,140,000	725,083	1,865,083		2,590,000	5,998,046	8,588,046	1.83%
2020	1,530,000	5,221,763	(714,381)	38,338	6,075,720	1,520,000	1,115,100	2,635,100		3,050,000	6,336,863	9,386,863	
2021	4,560,000	5,171,513	(714,381)	38,338	9,055,470	1,570,000	1,061,900	2,631,900		6,130,000	6,233,413	12,363,413	
2022	4,795,000	4,984,138	(714,381)	38,338	9,103,095	1,625,000	1,006,950	2,631,950		6,420,000	5,991,088	12,411,088	
2023	4,890,000	4,779,788	(714,381)	38,338	8,993,745	1,685,000	950,075	2,635,075	22.85%	6,575,000	5,729,863	12,304,863	17.53%
2024	5,245,000	4,583,138	(714,381)	38,338	9,152,095	1,745,000	891,100	2,636,100		6,990,000	5,474,238	12,464,238	
2025	5,335,000	4,372,338	(714,381)	38,338	9,031,295	1,805,000	830,025	2,635,025		7,140,000	5,202,363	12,342,363	
2026	5,695,000	4,157,288	(714,381)	38,338	9,176,245	1,865,000	766,850	2,631,850		7,560,000	4,924,138	12,484,138	
2027	5,850,000	3,926,188	(714,381)	38,338	9,100,145	1,935,000	701,575	2,636,575		7,785,000	4,627,763	12,412,763	
2028	5,860,000	3,686,175	(714,381)	38,338	8,870,133	2,000,000	633,850	2,633,850	51.18%	7,860,000	4,320,025	12,180,025	43.95%
2029	6,465,000	3,474,800	(714,381)	38,338	9,263,758	2,070,000	563,850	2,633,850		8,535,000	4,038,650	12,573,650	
2030	6,890,000	3,159,350	(714,381)	38,338	9,373,308	2,145,000	491,400	2,636,400		9,035,000	3,650,750	12,685,750	
2031	7,205,000	2,819,500	(668,391)	35,870	9,391,980	2,220,000	416,325	2,636,325		9,425,000	3,235,825	12,660,825	
2032	7,680,000	2,402,513	(567,591)	30,461	9,545,383	2,295,000	338,625	2,633,625		9,975,000	2,741,138	12,716,138	
2033	7,965,000	1,959,538	(462,853)	24,840	9,486,524	2,375,000	258,300	2,633,300	77.64%	10,340,000	2,217,838	12,557,838	77.44%
2034	8,245,000	1,496,738	(354,178)	19,008	9,406,567	2,460,000	175,175	2,635,175		10,705,000	1,671,913	12,376,913	
2035	8,740,000	1,017,688	(241,566)	12,964	9,529,086	2,545,000	89,075	2,634,075		11,285,000	1,106,763	12,391,763	
2036	9,355,000	535,538	(123,441)	6,625	9,773,722	-	-	-		9,355,000	535,538	9,890,538	
2037	530,000	18,550	-	-	548,550	-	-	-	100.00%	530,000	18,550	548,550	100.00%
	$108,285,000	$ 63,039,500	$ (10,990,586)	$ 589,828	$160,923,742	$ 33,000,000	$ 11,015,258	$ 44,015,258		$141,285,000	$74,054,758	$215,339,758	

NOTES:

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

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

(3) Budgeted Interest Rate of 3.50%.

FINANCIAL OPERATIONS

INTRODUCTION

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

BASIS OF ACCOUNTING AND PRESENTATION

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

Proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for water and sewer service receivables.

BUDGETARY PROCESS

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

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

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

	For the Fiscal Year Ended June 30,				
Fund Type	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental Funds:					
General	$42,794,310	$39,477,786	$46,017,903	$40,895,278	$47,557,619
Tourism Devl. Zone	-	-	368,362	2,696,126	9,429,475
Other Governmental	2,228,607	2,908,102	2,026,142	2,223,578	2,494,937
TOTAL	**$45,022,917**	**$42,385,888**	**$48,412,406**	**$45,814,982**	**$59,482,031**
Proprietary Net Assets:					
Water and Sewer	$39,392,383	$41,209,181	$46,521,378	$46,856,077	$50,013,266
Events Center	164,592	4,102,549	3,576,055	4,736,211	3,996,869
Sports Facility	-	-	-	30,983,816	30,509,019
TOTAL	**$38,354,965**	**$45,311,730**	**$50,097,433**	**$82,576,104**	**$84,519,154**

Source: Comprehensive Annual Financial Reports and Auditors Reports.

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

	2013	2014	2015	2016	2017
Revenues:					
Taxes	$ 30,858,582	$ 33,671,944	$ 38,188,714	$ 43,553,778	$ 45,510,123
Licenses, Permits, Fines	202,921	300,962	251,166	286,897	644,912
Intergovernmental Rev.	6,472,876	4,309,857	4,318,422	4,851,336	4,713,356
Charges for Services	3,026,867	2,937,186	2,742,111	2,289,585	2,222,368
Fines and Costs	240,223	222,275	257,998	215,946	228,813
Interest	415,052	318,138	385,307	300,352	222,970
Other Revenue	(74,776)	295,336	326,584	92,827	226,700
Total Revenues	$ 41,141,745	$ 42,055,698	$ 46,470,302	$ 51,590,721	$ 53,769,242
Expenditures:					
General Government	$ 17,957,680	$ 10,108,545	$ 23,027,441	$ 17,073,365	$ 8,215,237
City Garage	612,236	634,714	672,706	769,691	687,403
Department of Tourism	10,903,611	11,319,309	11,537,914	11,410,068	15,436,690
Public Safety	8,129,423	9,940,065	9,389,088	9,282,821	10,854,803
Highways and Streets	1,901,595	2,000,049	2,645,548	2,351,269	3,089,443
Library Administration	366,764	390,700	416,586	394,687	439,594
Parks, Recreation & Events	3,462,475	3,881,205	3,723,606	3,701,619	3,625,346
Public Transportation	4,662,018	2,545,665	2,671,944	2,315,331	3,451,175
Debt Service	3,399,647	3,446,900	3,784,494	4,718,073	4,956,996
Total Expenditures	$ 51,395,449	$ 44,267,152	$ 57,869,327	$ 52,016,924	$ 50,756,687
Excess of Revenues Over (Under) Expenditures	$ (10,253,704)	$ (2,211,454)	$ (11,399,025)	$ (426,203)	$ 3,012,555
Other Financing Sources (Uses):					
Transfers In	$ -	$ -	$ -	$ -	$ -
Transfers Out	(1,367,885)	(1,105,070)	(2,008,620)	(4,696,411)	(2,162,079)
Debt Issuance	-	-	19,640,000	-	(8,267,160)
Premium on Debt Issuance	-	-	307,762	-	452,740
Sale of Assets	-	-	-	-	-
Bond Proceeds	-	-	-	-	13,626,283
Total	$ (1,367,885)	$ (1,105,070)	$ 17,939,142	$ (4,696,411)	$ 3,649,784
Excess of Revenues Over (Under) Expenditures & Other Uses	$ (11,621,589)	$ (3,316,524)	$ 6,540,117	$ (5,122,614)	$ 6,662,339
Fund Balance July 1	$ 54,415,899	$ 42,794,310	$ 39,477,786	$ 46,017,903	$ 40,895,280
Adjustments	-	-	-	(9)	-
Fund Balance June 30	**$ 42,794,310**	**$ 39,477,786**	**$ 46,017,903**	**$ 40,895,280**	**$ 47,557,619**

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

CITY OF PIGEON FORGE, TENNESSEE

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

	2013	2014	2015	2016	2017
Operating Revenues:					
Fees & Charges for Services	$ 10,810,072	$ 11,994,094	$ 13,638,222	$ 14,283,095	$ 14,308,519
Fines & Penalties	87,124	97,575	103,453	113,212	127,399
Other Revenues	131,160	87,807	91,487	298,573	287,144
Tap Fees	149,070	216,794	243,524	355,120	352,250
Total Operating Revenues	$ 11,177,426	$ 12,396,270	$ 14,076,686	$ 15,050,000	$ 15,075,312
Operating Expenses:					
Purification	$ 1,166,068	$ 1,131,377	$ 1,433,650	$ 1,240,624	$ 1,682,947
Transmission & Distribution	844,144	752,831	862,137	971,299	951,972
Sewer System	355,194	351,219	367,845	306,752	369,265
Sewer Treatment & Disposal	2,489,769	2,543,945	2,556,143	2,632,396	2,961,970
Customer Accounting & Collections	141,764	151,783	154,209	154,393	158,825
Administrative & General	700,837	851,149	787,035	778,574	1,076,503
Depreciation	1,339,958	1,376,313	1,411,865	2,043,894	2,162,295
Amortization	37,750	-	-	-	-
Total Operating Expenses	$ 7,075,484	$ 7,158,617	$ 7,572,884	$ 8,127,932	$ 9,363,777
Operating Income	$ 4,101,942	$ 5,237,653	$ 6,503,802	$ 6,922,068	$ 5,711,535
Nonoperating Revenues Expenses):					
Interest & Dividends	$ 942,620	$ 883,043	$ 298,908	$ 37,176	$ 57,118
Investments Fees	(33,648)	(34,182)	(87,693)	(31,950)	(124,579)
Interest Expense	(2,820,447)	(2,172,995)	(1,284,790)	(1,751,860)	(2,723,858)
Loss on Disposal of Plant	-	-	-	(4,308,635)	(556,631)
Change in Fair Value of Invesetments	(794,789)	(592,741)	(49,870)	828	(18,620)
Change in Fair Value of Derivatives	1,248,891	(6,296)	(68,160)	(532,928)	812,224
Total Nonoperating Expenses	$ (1,457,373)	$ (1,923,171)	$ (1,191,605)	$ (6,587,369)	$ (2,554,346)
Income Before Contributions & Transfers	$ 2,644,569	$ 3,314,482	$ 5,312,197	$ 334,699	$ 3,157,189
Capital Contributions	-	-	-	-	-
Transfers	1,204,000	(295,674)	-	-	-
Changes in Net Assets	$ 3,848,569	$ 3,018,808	$ 5,312,197	$ 334,699	$ 3,157,189
Net Assets, Beginning of Year	$ 35,379,222	$ 39,227,791	$ 41,209,181	$ 46,521,378	$ 46,856,077
Adjustments	-	(1,037,418)	-	-	-
Fund Balance June 30	**$ 39,227,791**	**$ 41,209,181**	**$ 46,521,378**	**$ 46,856,077**	**$ 50,013,266**

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2017.[1]

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 2,120,096	55%	$ 4,853,511
Commercial and Industrial	445,671,800	40%	1,114,179,500
Personal Tangible Property	60,044,002	30%	200,146,700
Residential and Farm	192,233,050	35%	768,932,200
TOTAL	**$700,068,948**		**$2,088,111,911**

Source: 2017 Tax Aggregate Report for Tennessee and the City.

1 The tax year coincides with the calendar year, therefore, tax year 2017 is actually fiscal year 2017-2018.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2018 (tax year 2017) is $700,068,948 compared to $675,461,650 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is $2,088,111,911 compared to $2,021,925,467 for tax year 2016.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2013 through 2017 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[2]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2017 Amount	Pct
2013	$609,637,790	$0.20	$1,216,188	$1,097,862	90.3%	$ 5,030	0.4%
2014	622,374,540	0.20	1,241,202	1,176,887	94.8%	6,794	0.5%
2015	625,618,625	0.20	1,247,113	1,197,764	96.0%	10,478	0.8%
2016	675,461,650	0.20	1,351,707	1,317,790	97.5%	33,917	2.5%
2017	697,402,937*	0.20	1,395,913	IN PROCESS			

* Estimated

2 The tax year coincides with the calendar year, therefore, tax year 2017 is actually fiscal year 2017-2018.

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	Product/Service	Assessment	Levied
1.	Dollywood	Theme Park	$25,722,750	$ 51,455
2.	Michael Shular	Motels	11,811,333	23,623
3.	Bell Tower Development	Motel/Rest/shops	10,045,581	20,093
4.	Water Park Land Co. LLC	Shops/Restaurant	9,423,695	18,848
5.	LeConte Village LLC	Shops/Restaurant	8,687,600	17,375
6.	Lafollette E.BvT/Welp	Belz Mall	6,605,755	13,212
7.	Music Road Hotel LLC	Motel	4,611,899	9,224
8.	Pigeon Forge Hotel Co.	Motel	4,413,000	8,826
9.	Three Pigeons LLC	Restaurant	3,568,000	7,136
10.	Turkey Run Hotel	Motel	3,449,500	6,899
	TOTAL		**$88,339,113**	**$176,691**

Source: The City of Pigeon Forge.

LOCAL OPTION SALES TAX

Pursuant to applicable provision of Title 67, Chapter 6, Part 7 of Tennessee Code Annotated as amended, (the "Act"), Sevier County levies a county-wide local option sales tax. Under the act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city was previously limited to one-half of the State sales tax rate of five and one-half percent (5 1/2%). The current State sales tax rate is seven (7%) percent. However, the maximum sales tax that can be levied by any county or city was capped at an additional two and three-fourths percent (2 3/4%).

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

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

Source: Tennessee Department of Revenue

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

City's Share of County-Wide Sales Tax Revenues

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
$11,015,340	$11,672,654	$12,884,885	$14,757,504	$15,249,751

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

PENSION PLANS

The City, through its City of Pigeon Forge, Inc. Employees' Pension Plan, a single employer plan, provides pension benefits for all of its full-time employees through a defined contribution (money-purchase) plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one full year of employment and attaining age 21. The Plan requires that both the employee and the City contribute an amount equal to 5% of the employee's base salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years' continuous service. City contributions for, and interest forfeited by, employees who leave employment or cease participation before ten years of service may be used to reduce the City's current-period contribution requirement. Disability benefits are available to all active full-time employees who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty.

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded liability is not required.

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

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

CITY OF PIGEON FORGE, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

CITY OF PIGEON FORGE, TENNESSEE

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND OTHER REPORT

For the Fiscal Year Ended June 30, 2017

PUGH CPAs

CITY OF PIGEON FORGE, TENNESSEE

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CITY OF PIGEON FORGE, TENNESSEE

ROSTER OF ELECTED AND MANAGEMENT OFFICIALS

June 30, 2017

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

FINANCIAL SECTION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund and tourism development zone fund of the City of Pigeon Forge, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pigeon Forge and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and tourism development zone fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The information included in the other supplementary information section as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information included in the other supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory and other unaudited supplementary information sections as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the City of Pigeon Forge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pigeon Forge, Tennessee, (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $190,561,532 (net position). Of this amount, $71,847,454 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's current year increase in net position was $18,151,209.
- The governmental funds had a current year excess of revenues and other financing sources over expenditures and other financing uses of $13,667,046. As of the close of the June 30, 2017 fiscal year, the City's governmental funds reported combined ending fund balances of $59,482,031. Approximately 75% of this balance was available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was $44,416,034, or approximately 88% of total General Fund expenditures.
- The City had an S&P rating of AA on all of the City's outstanding debt at June 30, 2017.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Activities are considered either as those of the primary government (the government as legally defined) or those of the component unit (a legally separate entity for which the primary government is financially accountable).

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses governmental and proprietary funds.

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

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

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

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund and Tourism Development Zone Fund to demonstrate compliance with the fund's budgets in the basic financial statements section of this report. Budgetary comparisons for the special revenue funds may be found in the other supplementary information section of this report.

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 54 of this report.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $190,561,532 at the close of the June 30, 2017 fiscal year.

By far the largest portion of the City's net position (approximately 50%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Pigeon Forge, Tennessee's Net Position as of June 30, 2017 and 2016:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets and Deferred Outflows						
Current and Other Assets	$ 74,321,444	$ 55,258,296	$ 36,879,070	$ 33,234,041	$ 111,200,514	$ 88,492,337
Capital Assets, Net	117,718,454	116,601,041	163,879,837	167,405,251	281,598,291	284,006,292
Deferred Outflows of Resources	1,147,724	2,062,090	232,437	74,305	1,380,161	2,136,395
Total Assets and Deferred Outflows	$ 193,187,622	$ 173,921,427	$ 200,991,344	$ 200,713,597	$ 394,178,966	$ 374,635,024
Liabilities, Deferred Inflows and Net Position						
Liabilities:						
Current Liabilities	$ 7,286,394	$ 7,591,736	$ 4,196,398	$ 3,951,939	$ 11,482,792	$ 11,543,675
Noncurrent Liabilities	77,032,381	75,165,915	109,953,596	111,051,134	186,985,977	186,217,049
Total Liabilities	84,318,775	82,757,651	114,149,994	115,003,073	198,468,769	197,760,724
Deferred Inflows of Resources	2,826,469	1,329,557	2,322,196	3,134,420	5,148,665	4,463,977
Net Position:						
Net Investment in Capital Assets	43,548,920	41,708,266	51,931,900	53,630,538	95,480,820	95,338,804
Restricted	23,233,258	11,604,660	0	0	23,233,258	11,604,660
Unrestricted	39,260,200	36,521,293	32,587,254	28,945,566	71,847,454	65,466,859
Total Net Position	106,042,378	89,834,219	84,519,154	82,576,104	190,561,532	172,410,323
Total Liabilities, Deferred Inflows and Net Position	$ 193,187,622	$ 173,921,427	$ 200,991,344	$ 200,713,597	$ 394,178,966	$ 374,635,024

An additional portion of the City's net position ($23,233,258 or approximately 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position of $71,847,454, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in both the governmental and the business-type activity categories of net position as a whole.

Current and other assets in the governmental activities increased by approximately $19,063,000. This increase is partially due to investing the approximately $5,500,000 proceeds from the issuance of the general obligation improvement bonds, series 2017. Also included in current and other assets, restricted cash and cash equivalents increased approximately $8,600,000 primarily due to an increase in restricted TDZ sales tax and a grant received in advance in the current year. TDZ restricted receivables increased approximately $4,500,000.

Current and other assets in the business type activities increased approximately $3,645,000 primarily due to an increase in cash and cash equivalents because of less funds being used for capital projects.

Current liabilities in the governmental activities decreased a net amount of approximately $305,000 primarily due to the $1,000,000 decrease in capital contribution payable to the Board and an increase of approximately $674,000 in long-term debt current portion.

Current liabilities in the business type activities increased by approximately $244,000 primarily due to an increase in accounts payable.

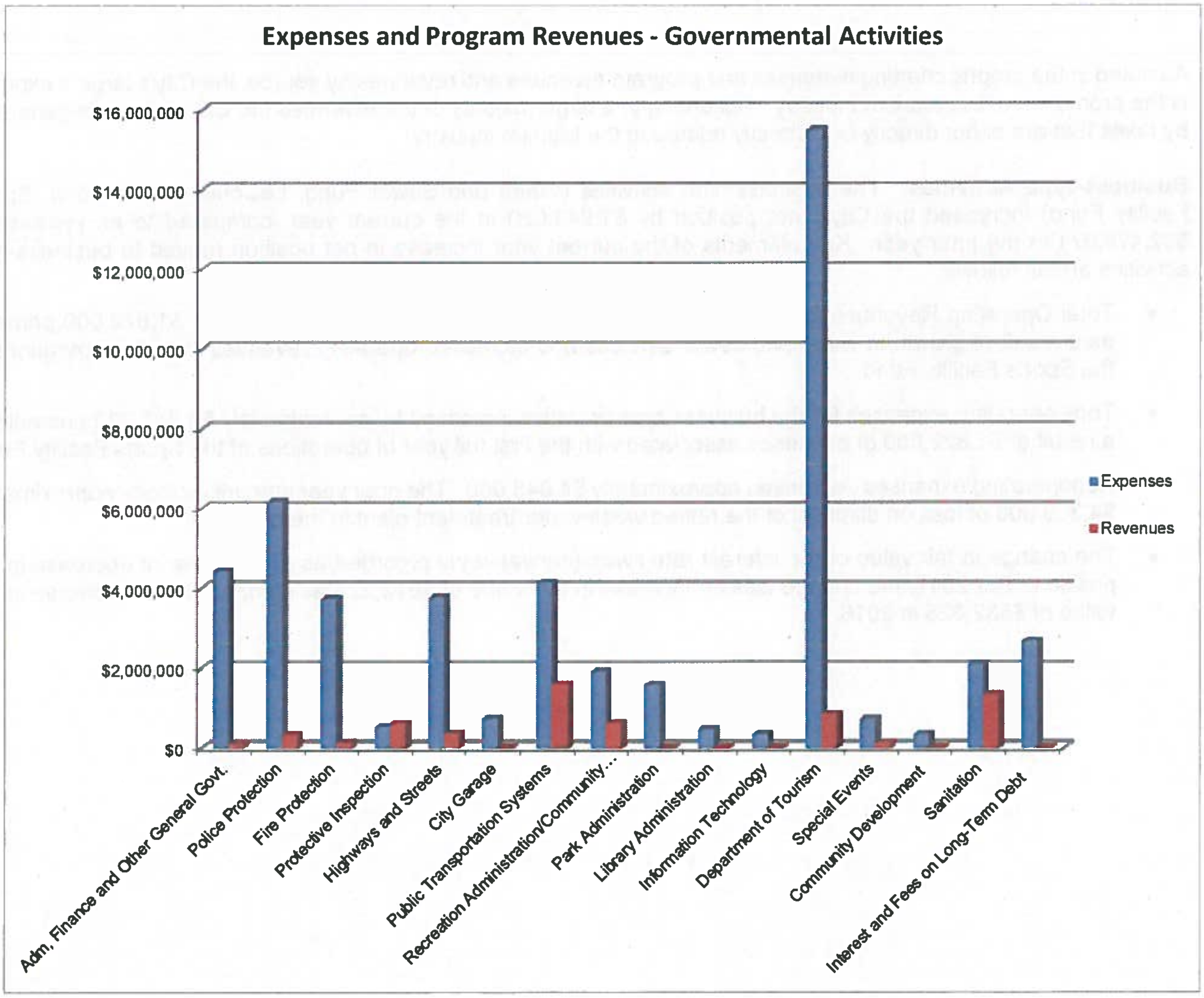
Noncurrent liabilities in the governmental activities increased by approximately $1,866,000 primarily due to the issuance of new debt and due to other governmental agencies. Noncurrent liabilities in the business type activities decreased by approximately $1,098,000 primarily due to payment of scheduled debt service payments.

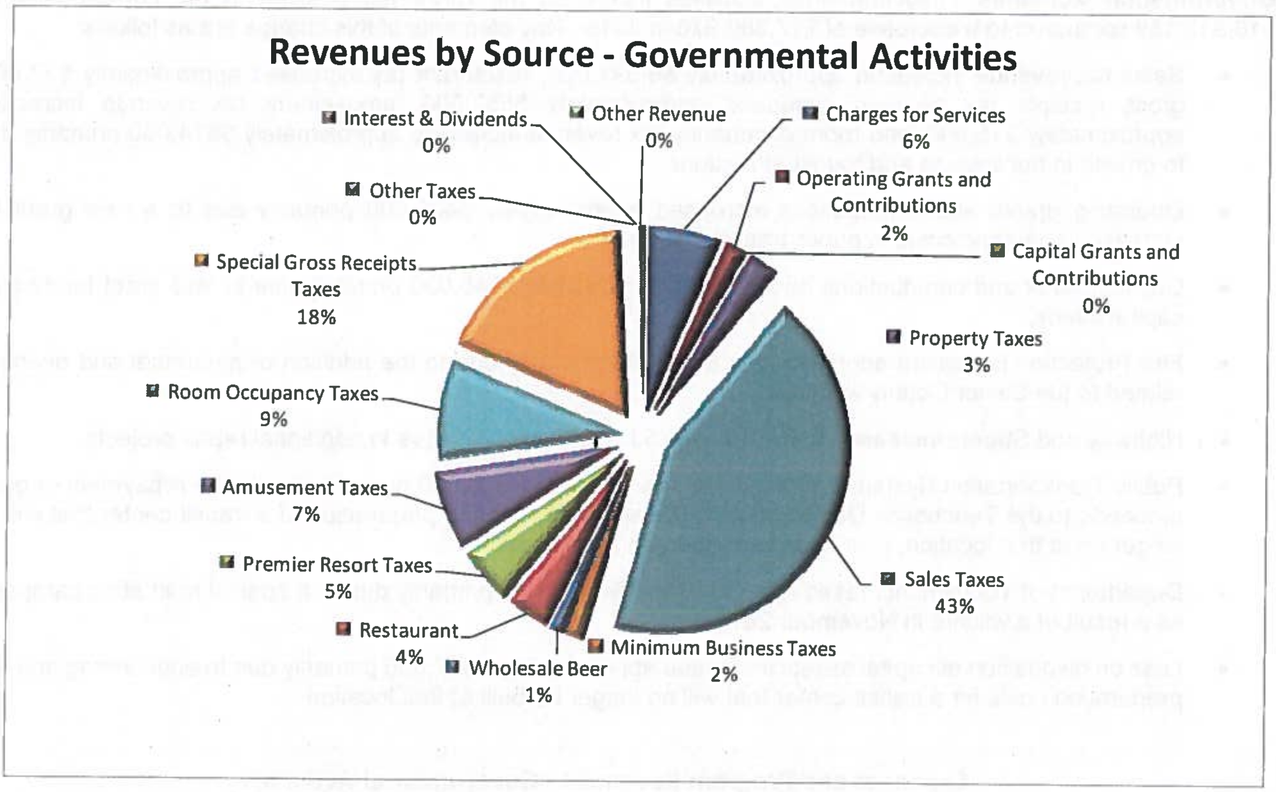
City of Pigeon Forge, Tennessee's Changes in Net Position for the Years Ended June 30, 2017 and 2016:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	$ 4,395,510	$ 4,041,749	$ 18,809,260	$ 16,936,882	$ 23,204,770	$ 20,978,631
Operating Grants and Contributions	1,333,079	907,831	0	0	1,333,079	907,831
Capital Grants and Contributions	132,078	679,826	0	0	132,078	679,826
General Revenues:						
Taxes:						
Property	1,882,423	1,787,815	0	0	1,882,423	1,787,815
Sales	30,514,047	23,823,275	0	0	30,514,047	23,823,275
Premier Resort	3,469,016	3,469,378	0	0	3,469,016	3,469,378
Minimum Business	1,169,491	1,013,704	0	0	1,169,491	1,013,704
Restaurant	2,691,984	2,655,114	0	0	2,691,984	2,655,114
Wholesale Beer	878,789	861,425	0	0	878,789	861,425
Special Gross Receipts	12,636,075	12,103,969	0	0	12,636,075	12,103,969
Amusement	4,794,601	4,780,092	0	0	4,794,601	4,780,092
Room Occupancy	6,062,163	5,448,156	0	0	6,062,163	5,448,156
Other Taxes	176,257	199,784	0	0	176,257	199,784
Other General Revenues	429,764	534,915	57,118	37,176	486,882	572,091
Total Revenues	70,565,277	62,307,033	18,866,378	16,974,058	89,431,655	79,281,091
Expenses:						
Administration, Finance and Other General Government	4,404,012	4,201,657	0	0	4,404,012	4,201,657
Police Protection	6,157,697	5,909,360	0	0	6,157,697	5,909,360
Fire Protection	3,720,072	3,345,698	0	0	3,720,072	3,345,698
Protective Inspection	499,856	495,061	0	0	499,856	495,061
Highways and Streets	3,757,029	3,420,008	0	0	3,757,029	3,420,008
City Garage	715,366	738,677	0	0	715,366	738,677
Public Transportation Systems	4,122,801	2,795,151	0	0	4,122,801	2,795,151
Recreation Administration / Community Center	1,896,881	1,790,944	0	0	1,896,881	1,790,944
Park Administration	1,568,727	1,467,747	0	0	1,568,727	1,467,747
Library Administration	456,402	428,182	0	0	456,402	428,182
Information Technology	327,884	253,954	0	0	327,884	253,954
Department of Tourism	15,488,366	11,460,219	0	0	15,488,366	11,460,219
Special Events	707,125	676,357	0	0	707,125	676,357
Community Development	321,230	307,652	0	0	321,230	307,652
Sanitation	2,070,083	1,949,688	0	0	2,070,083	1,949,688
Interest and Fees on Long-Term Debt	2,653,144	2,548,809	0	0	2,653,144	2,548,809
Water and Sewer	0	0	12,212,214	9,911,743	12,212,214	9,911,743
LeConte Center	0	0	5,319,532	5,046,512	5,319,532	5,046,512
Sports Facility	0	0	3,382,636	1,560,333	3,382,636	1,560,333
Loss on Disposition of Capital Assets	516,796	0	556,631	4,308,635	1,073,427	4,308,635
Net (Gain) Losses on Investment Portfolio	78,049	137,080	18,620	(828)	96,669	136,252
(Increase) Decrease in Fair Value of Derivatives	0	0	(812,224)	532,928	(812,224)	532,928
Total Expenses	49,461,520	41,926,244	20,677,409	21,359,323	70,138,929	63,285,567
Capital Contributions, Net	(1,141,517)	(31,518,219)	0	30,620,390	(1,141,517)	(897,829)
Transfers	(3,754,081)	(6,243,546)	3,754,081	6,243,546	0	0
Increase (Decrease) in Net Position	16,208,159	(17,380,976)	1,943,050	32,478,671	18,151,209	15,097,695
Net Position - Beginning of Year	89,834,219	107,215,195	82,576,104	50,097,433	172,410,323	157,312,628
Net Position - End of Year	$ 106,042,378	$ 89,834,219	$ 84,519,154	$ 82,576,104	$ 190,561,532	$ 172,410,323

Governmental Activities - Governmental activities increased the City's net position in the current year by $16,912,159 compared to a decrease of $17,380,976 in 2016. Key elements of this change are as follows:

- Sales tax revenue increased approximately $6,691,000, restaurant tax increased approximately $37,000, gross receipts tax revenue increased approximately $532,000, amusement tax revenue increased approximately $15,000, and room occupancy tax revenue increased approximately $614,000 primarily due to growth in businesses and tourist attractions.
- Operating grants and contributions increased approximately $425,000 primarily due to a new grant for increased operating costs in public transportation.
- Capital grants and contributions decreased approximately $548,000 primarily due to less grant funding for capital needs.
- Fire Protection increased approximately $374,000 primarily due to the addition of personnel and overtime related to the Sevier County wildfires.
- Highway and Streets increased approximately $337,000 primarily due to additional repair projects.
- Public Transportation Systems increased approximately $1,300,000 primarily due to the repayment of grant proceeds to the Tennessee Department of Transportation for site preparation of a transit center that will no longer be at that location, plus additional operating expenses.
- Department of Tourism increased approximately $4,028,000 primarily due to a special marketing campaign as a result of a wildfire in November 2016.
- Loss on disposition of capital assets increased approximately $517,000 primarily due to engineering and site preparation costs for a transit center that will no longer be built at that location.





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

Business-type Activities. The business-type activities (Water and Sewer Fund, LeConte Center Fund, Sports Facility Fund) increased the City's net position by $1,943,050 in the current year, compared to an increase of $32,478,671 in the prior year. Key elements of the current year increase in net position related to business-type activities are as follows:

- Total Operating Revenues for the business-type activities increased by approximately $1,872,000 primarily as a result of growth in water and sewer services and increased operating revenues from the operations of the Sports Facility Fund.
- Total operating expenses for the business-type activities increased by approximately $3,341,000 primarily as a result of $1,822,000 of expenses associated with the first full year of operations of the Sports Facility Fund.
- Nonoperating expenses decreased approximately $4,043,000. The prior year amount includes approximately $4,309,000 of loss on disposal of the retired wastewater treatment plant in the prior year.
- The change in fair value of the interest rate swap (derivative) is recorded as an increase or decrease in net position. For 2017, the change was an increase in fair value of $812,224 as compared to a decrease in fair value of $532,328 in 2016.

Discretely Presented Component Unit - Industrial Development Board

	Component Unit 2017	Component Unit 2016
Assets		
Current and Other Assets	$ 1,239	$ 1,001,236
Net Investment in Capital Lease	48,340,330	48,811,536
Total Assets	$ 48,341,569	$ 49,812,772
Liabilities:		
Current Liabilities	$ 590,323	$ 783,138
Noncurrent Liabilities	49,393,594	49,879,721
Total Liabilities	49,983,917	50,662,859
Deferred Inflows of Resources	0	1,000,000
Net position:		
Restricted	0	120,331
Unrestricted (Deficit)	(1,642,348)	(1,970,418)
Total Net Position (Deficit)	(1,642,348)	(1,850,087)
Total Liabilities, Deferred Inflows and Net Position	$ 48,341,569	$ 49,812,772

	Component Unit 2017	Component Unit 2016
Revenues:		
Interest From Capital Lease	$ 2,293,500	$ 2,303,451
Interest and Dividends	45	299
	2,293,545	2,303,750
Expenses:		
Interest Expense, Net	2,207,373	2,217,324
General and Administrative	19,950	20,000
Developer Contributions	1,000,000	1,000,000
	3,227,323	3,237,324
Increase (Decrease) in Net Position before Capital Contribution	(933,778)	(933,574)
Capital Contribution - to City of Pigeon Forge	0	(234,744)
Capital Contribution - from City of Pigeon Forge	1,141,517	1,132,573
Increase (Decrease) in Net Position	207,739	(35,745)
Net Position - Beginning of Year (Deficit)	(1,850,087)	(1,814,342)
Net Position - End of Year (Deficit)	$ (1,642,348)	$ (1,850,087)

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

The change in net investment in capital lease represents lease payments received by the Board from the City. In addition, the change in total liabilities consists primarily of scheduled bond payments.

Lease revenues in 2017 and 2016 for the Board consist of interest revenue recognized from the LeConte Center lease agreement. Current and prior year interest expense represents interest expensed for the related bond issue.

During 2017 and 2016, the City granted a noncash capital contribution to the Board in the amount of $121,567 and $112,573, respectively. During 2016, the Board granted a noncash capital contribution to the City of Pigeon Forge representing the Board's purchase of additional machinery and equipment for use at the LeConte Center. This capital contribution made from the Board to the City's LeConte Center Fund was recorded in the amount of $234,744.

In addition to the noncash contributions previously noted, the City and Board have entered into a contribution agreement to provide funding to the Board for economic development. The City has funded $1,000,000 in the current year as the third of three installments. These contributions were recorded in the City's fiscal year 2016 statement of net position as capital contributions payable and deferred outflows of resources. Accordingly, the Board had recorded in the fiscal year 2016 statement of net position capital contribution receivable and deferred inflows of resources. Capital contributions and developer contribution expense has been recorded in the statement of revenues, expenses and changes in net position of the Board.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $59,482,031, after a current year excess of revenues and other financing sources over expenditures and other financing uses of $13,667,046. Approximately 75% of this ending fund balance, or $44,798,447, constitutes unrestricted fund balance, which is available for spending at the government's discretion. The City has committed approximately $70,953 of the unrestricted fund balance for future capital outlay and assigned approximately $3,228,000 for various purposes. The General Fund restricted fund balance includes approximately $1,200,000, of unspent debt proceeds issued to fund various future capital outlay expenditures. The remainder of fund balance is nonspendable or restricted primarily for the purposes of the special revenue funds or the funds are invested in material inventories in the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was $44,416,034, while total General Fund balance reached $47,557,619. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The unrestricted General Fund balance represents approximately 88% of total General Fund expenditures, while the total General Fund balance represents approximately 94% of total General Fund expenditures.

The fund balance of the City's General Fund increased by $6,662,339 during the current fiscal year. General Fund revenues in 2017 increased over 2016 by approximately $2,179,000 (see discussion on revenue increases noted above) during the fiscal year and General Fund expenditures decreased by approximately $1,260,000. The following expense increases/decreases were noteworthy:

- Other General Government decreased approximately $8,421,000 primarily due to a reduction in capital outlay. The Sports Facility project was completed in the prior year.
- Tourism increased approximately $4,027,000 primarily due to a special marketing campaign as a result of a wildfire in November 2016.
- Fire Protection and Control increased by approximately $993,000 primarily due to the purchase of a new fire engine and overtime concerning the Sevier County wildfires.
- Highways and Streets increased by approximately $738,000 primarily due to more paving work done in the current year.
- Information Technology increased by approximately $137,000 primarily due to the construction of an addition at City Hall.
- Public Transportation increased by approximately $1,135,000 primarily due to the purchase of two trolleys and increased operating costs.

Intergovernmental sales tax in the tourism development zone fund increased approximately $4,449,000. The amount varies from year to year based upon economic activity and growth in business in the development zone.

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

Unrestricted net position of the Proprietary Funds at the end of the year amounted to $32,587,254. Other factors concerning the financial activity of this fund have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

The City made certain supplementary budgetary appropriations during the year. Differences between the original budget and the final amended budget amounted to net *increases* of budgeted expenditures and transfers totaling $4,363,000.

The major adjustments are as follows:

- $1,193,000 in increases allocated to Other General Government primarily due to construction costs on McGill Street Connector and engineering costs on Thomas Road Connector that were incurred.
- $2,900,000 in increases allocated to Department of Tourism primarily due to a special marketing campaign as a result of a wildfire in November 2016.
- $270,000 in increases allocated to Debt Service primarily due to fees for new bond issuances.

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

Capital Asset and Debt Administration

Capital Assets. The investment in capital assets for the City's governmental and business-type activities as of June 30, 2017, amounts to $281,598,292 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, vehicles, park facilities, roads, highways, bridges and water/sewer infrastructure.

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

- The City purchased approximately $2,454,000 of new vehicles for various departments.
- The City purchased various pieces of new equipment for approximately $595,000 during the year.
- The City completed construction of the McGill Street Connector in the amount of approximately $3,083,000. It was placed into service in January 2017.
- The City completed construction on a new traffic signal at the Veterans Boulevard and Dollywood Lane intersection in the amount of approximately $220,000. It was placed into service in July 2016.
- The City completed construction on the Jake Thomas Water Tower in the amount of approximately $1,895,000. It was placed into service in August 2016.
- The City completed waterline upgrades to Cain Hollow Rd, Wier Farm Rd, and Mr. Marshall Dr. The Smelcer Drive sewer line extension was also completed in 2017.
- The City has several capital projects in the engineering and construction phases. The construction in progress additions in the current year primarily include the following projects: Information Technology addition to City Hall - $82,000, Greenway Extension - $33,000, and Jake Thomas Road Extension - $935,000.

Capital assets, net of depreciation, as of June 30, 2017 and 2016 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 40,096,541	$ 40,096,541	$ 29,721,159	$ 29,721,159	$ 69,817,700	$ 69,817,700
Construction in Progress	13,364,530	15,121,375	694,535	4,153,234	14,059,065	19,274,609
Buildings	19,377,369	19,377,369	70,105,765	70,105,765	89,483,134	89,483,134
Improvements Other Than Buildings	11,168,030	11,168,030	36,782,814	33,583,297	47,950,844	44,751,327
Machinery and Equipment	6,117,186	5,704,508	3,909,329	3,742,731	10,026,515	9,447,239
Vehicles	16,468,874	14,478,235	1,071,404	1,038,720	17,540,278	15,516,955
Infrastructure	58,821,003	55,484,830	53,477,678	52,418,886	112,298,681	107,903,716
Accumulated Depreciation	(47,695,079)	(44,829,847)	(31,882,847)	(27,358,541)	(79,577,926)	(72,188,388)
	$ 117,718,454	$ 116,601,041	$ 163,879,837	$ 167,405,251	$ 281,598,291	$ 284,006,292

Additional information on the City's capital assets can be found in Note 8 on pages 41 and 42 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of $192,223,548. All of the debt is backed by the full faith and credit of the City. Additionally, the City has pledged certain revenues to retire some its long-term debt issuances. The City's long-term debt as of June 30, 2017 and 2016 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$ 61,718,163	$ 59,705,662	$ 51,481,819	$ 51,764,317	$ 113,199,982	$ 111,469,979
Loans Payable to the Public Building Authority of Sevier County	17,120,000	17,220,000	11,435,000	11,845,000	28,555,000	29,065,000
Capital Lease	0	0	48,150,000	48,500,000	48,150,000	48,500,000
	78,838,163	76,925,662	111,066,819	112,109,317	189,904,982	189,034,979
Plus (Less) Premiums on Issuance	2,179,062	1,939,053	139,504	(54,028)	2,318,566	1,885,025
Total	$ 81,017,225	$ 78,864,715	$ 111,206,323	$ 112,055,289	$ 192,223,548	$ 190,920,004

The City's total debt increased by approximately $1,304,000 (0.7%) during the current fiscal year. This change is primarily due to the issuance of general obligation improvement bonds.

	Component Unit	
	2017	2016
Public Facility Bonds Series 2011	$ 48,150,000	$ 48,500,000
Plus Premiums on Issuance	1,643,594	1,729,721
Total	$ 49,793,594	$ 50,229,721

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

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

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

Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of deferred charges resulting from debt refundings and deferred capital contributions. Deferred inflows of resources consist of property taxes, the negative fair value of the derivative instrument, and grants received in advance. Deferred outflows of resources decreased approximately $756,000 primarily due to $1,000,000 in deferred capital contributions due to the Board for economic development in the Pigeon Forge community being paid. Deferred inflows increased approximately $685,000 primary due to an increase in grant funding received in advance, net of a decrease in the negative fair value of the derivative instrument.

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

Future Outlook and Next Year's Budget

The General Fund revenue estimates for next year (fiscal year ended June 30, 2018) were projected with an increase of 4.5%. During the current fiscal year, unrestricted fund balance in the General Fund increased by $6,949,253 to become $44,416,034 at year-end.

The Water and Sewer Fund budget for next year was prepared using a projected operating revenue increase of approximately 1.7%.

In April of 2006, the State of Tennessee approved the City's application for a Tourism Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. Under the TDZ plan, the City is authorized to borrow up to $179 million to develop new Qualified Public Use Facilities. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately $113 million through June 30, 2017. These borrowings will be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the State of Tennessee, included a civic events center, mass transit facility, amphitheater and festival center. Other planned TDZ projects included a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, completed the waste water treatment plant, constructed the LeConte Center, and is in the process of design and construction of a mass transit facility.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of City Manager, P.O. Box 1350, City of Pigeon Forge, Tennessee, 37868.

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Industrial Development Board
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 19,989,701	$ 22,862,405	$ 42,852,106	$ 1,239
Certificates of Deposit	9,926,753	1,053,292	10,980,045	0
Investments	10,823,818	3,650,736	14,474,554	0
Receivables, Net	7,342,261	1,388,929	8,731,190	0
Sponsorships Receivable	0	57,218	57,218	0
Net Investment in Capital Lease - Current Portion	0	0	0	400,000
Inventories	391,382	444,526	835,908	0
Prepaid Items	7,476	66,547	74,023	0
Total Current Assets	48,481,391	29,523,653	78,005,044	401,239
NONCURRENT ASSETS				
Restricted Assets:				
Cash and Cash Equivalents	13,963,228	1,348,145	15,311,373	0
Investments	1,016,957	0	1,016,957	0
Receivable - TDZ and Streets	10,859,868	0	10,859,868	0
Net Investment in Capital Lease	0	0	0	47,940,330
Sponsorships Receivable	0	6,750	6,750	0
Investment in Joint Venture	0	6,000,522	6,000,522	0
Capital Assets:				
Nondepreciable	53,461,071	30,415,694	83,876,765	0
Depreciable, Net of Accumulated Depreciation	64,257,383	133,464,143	197,721,526	0
Total Noncurrent Assets	143,558,507	171,235,254	314,793,761	47,940,330
Total Assets	192,039,898	200,758,907	392,798,805	48,341,569
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	1,147,724	232,437	1,380,161	0
Total Deferred Outflows of Resources	1,147,724	232,437	1,380,161	0
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 193,187,622	$ 200,991,344	$ 394,178,966	$ 48,341,569
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 1,290,168	$ 1,236,727	$ 2,526,895	$ 0
Due to Other Governmental Agencies	352,000	0	352,000	0
Interfund Balances, Net	(109,264)	109,264	0	0
Accrued Interest	220,188	383,720	603,908	190,323
Taxes Payable	5,513	84,675	90,188	0
Unearned Revenue	0	1,022,495	1,022,495	0
Compensated Absences	937,266	100,040	1,037,306	0
Long-Term Debt - Current Portion	4,590,523	1,259,477	5,850,000	400,000
Total Current Liabilities	7,286,394	4,196,398	11,482,792	590,323
NONCURRENT LIABILITIES				
Other Postemployment Benefits	253,679	0	253,679	0
Due to Other Governmental Agencies	352,000	0	352,000	0
Unearned Revenue	0	6,750	6,750	0
Long-Term Debt	76,426,702	109,946,846	186,373,548	49,393,594
Total Noncurrent Liabilities	77,032,381	109,953,596	186,985,977	49,393,594
Total Liabilities	84,318,775	114,149,994	198,468,769	49,983,917
DEFERRED INFLOWS OF RESOURCES				
Deferred Current Property Taxes	1,383,469	0	1,383,469	0
Grants Received in Advance	1,443,000	0	1,443,000	0
Derivative Instrument - Interest Rate Swap	0	2,322,196	2,322,196	0
Total Deferred Inflows of Resources	2,826,469	2,322,196	5,148,665	0
NET POSITION				
Net Investment in Capital Assets	43,548,920	51,931,900	95,480,820	0
Restricted	23,233,258	0	23,233,258	0
Unrestricted (Deficit)	39,260,200	32,587,254	71,847,454	(1,642,348)
Total Net Position (Deficit)	106,042,378	84,519,154	190,561,532	(1,642,348)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 193,187,622	$ 200,991,344	$ 394,178,966	$ 48,341,569

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

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
					Primary Government			Component Unit
FUNCTIONS AND PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Industrial Development Board
Governmental Activities:								
Administration, Finance and Other								
General Government	$ 4,404,012	$ 62,901	$ 0	$ 0	$ (4,341,111)	$ 0	$ (4,341,111)	$ 0
Police Protection	6,157,697	296,746	3,000	13,422	(5,844,529)	0	(5,844,529)	0
Fire Protection	3,720,072	59,750	0	50,864	(3,609,458)	0	(3,609,458)	0
Protective Inspection	499,856	597,542	0	0	97,686	0	97,686	0
Highways and Streets	3,757,029	89,428	258,880	0	(3,408,721)	0	(3,408,721)	0
City Garage	715,366	0	0	0	(715,366)	0	(715,366)	0
Public Transportation Systems	4,122,801	438,739	1,069,008	67,792	(2,547,262)	0	(2,547,262)	0
Recreation Administration/Community Center	1,896,881	607,449	0	0	(1,289,432)	0	(1,289,432)	0
Park Administration	1,568,727	0	0	0	(1,568,727)	0	(1,568,727)	0
Library Administration	456,402	1,347	2,191	0	(452,864)	0	(452,864)	0
Information Technology	327,884	0	0	0	(327,884)	0	(327,884)	0
Department of Tourism	15,488,366	833,073	0	0	(14,655,293)	0	(14,655,293)	0
Special Events	707,125	94,928	0	0	(612,197)	0	(612,197)	0
Community Development	321,230	0	0	0	(321,230)	0	(321,230)	0
Sanitation	2,070,083	1,313,607	0	0	(756,476)	0	(756,476)	0
Interest and Fees on Long-Term Debt	2,653,144	0	0	0	(2,653,144)	0	(2,653,144)	0
Total Governmental Activities	48,866,675	4,395,510	1,333,079	132,078	(43,006,008)	0	(43,006,008)	0
Business-Type Activities:								
Water and Sewer	12,212,214	15,075,312	0	0	0	2,863,098	2,863,098	0
LeConte Center	5,319,532	826,109	0	0	0	(4,493,423)	(4,493,423)	0
Sports Facility	3,382,636	2,907,839				(474,797)	(474,797)	0
Total Business-Type Activities	20,914,382	18,809,260	0	0	0	(2,105,122)	(2,105,122)	0
Total Primary Government	$ 69,781,057	$ 23,204,770	$ 1,333,079	$ 132,078	(43,006,008)	(2,105,122)	(45,111,130)	0
Component Unit:								
Industrial Development Board	$ 3,227,323	$ 0	$ 0	$ 0	0	0	0	(3,227,323)
General Revenues								
Taxes								
Property					1,882,423	0	1,882,423	0
Sales					30,514,047	0	30,514,047	0
Premier Resort					3,469,016	0	3,469,016	0
Minimum Business					1,169,491	0	1,169,491	0
Restaurant					2,691,984	0	2,691,984	0
Wholesale Beer					878,789	0	878,789	0
Special Gross Receipts					12,636,075	0	12,636,075	0
Amusement					4,794,601	0	4,794,601	0
Room Occupancy					6,062,163	0	6,062,163	0
Other					176,257	0	176,257	0
Interest From Capital Lease					0	0	0	2,293,500
Licenses and Permits					47,370	0	47,370	0
Interest and Dividends					282,796	57,118	339,914	45
Rents and Royalties					99,598	0	99,598	0
Net Loss on Disposal of Capital Assets					(516,796)	(556,631)	(1,073,427)	0
Change in Fair Value of Investments					(78,049)	(18,620)	(96,669)	0
Change in Fair Value of Derivatives - Interest Rate Swap					0	812,224	812,224	0
Capital Contributions					(1,019,950)	0	(1,019,950)	1,019,950
Noncash Capital Contributions					(121,567)	0	(121,567)	121,567
Interfund Transfers, Net					(3,754,081)	3,754,081	0	0
Total General Revenues and Other Items					59,214,167	4,048,172	63,262,339	3,435,062
Change in Net Position					16,208,159	1,943,050	18,151,209	207,739
Net Position (Deficit), Beginning of Year					89,834,219	82,576,104	172,410,323	(1,850,087)
Net Position (Deficit), End of Year					$ 106,042,378	$ 84,519,154	$ 190,561,532	$ (1,642,348)

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

CITY OF PIGEON FORGE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 19,607,288	$ 0	$ 382,413	$ 19,989,701
Certificates of Deposit	9,926,753	0	0	9,926,753
Investments	10,823,818	0	0	10,823,818
Receivables, Net	7,342,261	0	0	7,342,261
Due from Other Funds	10,543	9,429,475	113,861	9,553,879
Inventories	391,382	0	0	391,382
Prepaids	7,476	0	0	7,476
Restricted Assets				
Cash	11,816,364	0	2,146,865	13,963,229
Investments	1,016,957	0	0	1,016,957
Receivables	0	0	45,013	45,013
TOTAL ASSETS	$ 60,942,842	$ 9,429,475	$ 2,688,152	$ 73,060,469
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 1,097,094	$ 0	$ 193,074	$ 1,290,168
Due to Other Funds	9,444,475	0	141	9,444,616
Taxes Payable	5,513	0	0	5,513
Total Liabilities	10,547,082	0	193,215	10,740,297
DEFERRED INFLOWS OF RESOURCES				
Grants Received in Advance	1,443,000	0	0	1,443,000
Deferred Property Taxes	1,395,141	0	0	1,395,141
Total Deferred Inflows of Resources	2,838,141	0	0	2,838,141
FUND BALANCES				
Non-Spendable:				
General Fund				
Inventory On Hand	391,382	0	0	391,382
Prepaids	7,476		0	7,476
Restricted:				
General Fund	2,742,727	0	0	2,742,727
Special Revenue Funds:				
State Street Aid Fund	0	0	731,745	731,745
Solid Waste Fund	0	0	989,116	989,116
Drug Fund	0	0	391,663	391,663
TDZ Fund	0	9,429,475	0	9,429,475
Unrestricted:				
Committed	70,953	0	0	70,953
Assigned	2,845,333	0	382,413	3,227,746
Unassigned	41,499,748	0	0	41,499,748
Total Fund Balances	47,557,619	9,429,475	2,494,937	59,482,031
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 60,942,842	$ 9,429,475	$ 2,688,152	$ 73,060,469

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

CITY OF PIGEON FORGE, TENNESSEE

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

June 30, 2017

Ending Total Fund Balances - Governmental Funds - Balance Sheet (page 17)	$	59,482,031
Amounts reported for governmental activities in the statement of net positions are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		117,718,454
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		10,826,527
Due to other governmental agencies are not due and payable in the current period and, therefore, are not reported in the funds.		(704,000)
Accrued compensated absences and other post employement benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(1,190,945)
Long-term debt, net of unamortized premiums and unamortized deferred losses, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.		(80,089,689)
Net Position of Governmental Activities - Statement of Net Position (page 15)	$	106,042,378

CITY OF PIGEON FORGE, TENNESSEE

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

For the Year Ended June 30, 2017

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property Tax	$ 1,361,330	$ 0	$ 0	$ 1,361,330
Payments in Lieu of Tax	521,093	0	0	521,093
Local Sales Tax	15,249,751	0	0	15,249,751
Wholesale Beer Tax	878,789	0	0	878,789
Minimum Business Tax	1,169,491	0	0	1,169,491
Amusement Tax	4,794,601	0	0	4,794,601
Gross Receipts Tax	12,636,075	0	0	12,636,075
Restaurant Tax	2,691,984	0	0	2,691,984
Cable Television Franchise Tax	138,917	0	0	138,917
Room Occupancy Tax	6,062,163	0	0	6,062,163
Other Taxes	5,929	0	0	5,929
Total Taxes	45,510,123	0	0	45,510,123
Intergovernmental:				
Grants	1,206,277	0	0	1,206,277
Sales Tax	0	10,814,855	0	10,814,855
State Premier Resort Tax	3,469,016	0	0	3,469,016
State Gasoline and Motor Fuel Tax	0	0	258,881	258,881
Other	38,063	0	0	38,063
Total Intergovernmental	4,713,356	10,814,855	258,881	15,787,092
Licenses and Permits	644,912	0	0	644,912
Fees and Charges for Services	2,222,368	0	1,303,893	3,526,261
Fines and Penalties	228,813	0	42,894	271,707
Interest and Dividends	222,970	0	1,250	224,220
Net Loss on Investment Portfolio	(78,049)	0	0	(78,049)
Rents and Royalties	99,598	0	0	99,598
Other Revenues	205,151	0	0	205,151
	3,545,763	0	1,348,037	4,893,800
Total Revenues	53,769,242	10,814,855	1,606,918	66,191,015
EXPENDITURES				
Current:				
Administration, Finance and Other General Government:				
City Court	22,219	0	0	22,219
City Hall Building Operations	162,775	0	0	162,775
Financial Administration	1,161,957	0	0	1,161,957
Legislative	590,458	0	0	590,458
Other General Government	4,811,043	0	0	4,811,043
City Maintenance	759,581	0	0	759,581
City Garage	687,403	0	0	687,403
Department of Tourism	15,436,690	0	0	15,436,690
Drug Prevention	0	0	38,742	38,742
Fire Protection and Control	4,202,062	0	0	4,202,062
Highways and Streets	3,089,443	0	173,371	3,262,814
Information Technology	395,720	0	0	395,720
Library Administration	439,594	0	0	439,594
Park Administration	1,270,832	0	0	1,270,832
Police	6,109,078	0	0	6,109,078
Protective Inspection	543,663	0	0	543,663
Public Transportation Systems	3,451,175	0	0	3,451,175
Recreation Administration/Community Center	1,678,427	0	0	1,678,427
Solid Waste/Sanitation	0	0	1,881,906	1,881,906
Special Events	676,087	0	0	676,087
Community Development	311,484	0	0	311,484

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

CITY OF PIGEON FORGE, TENNESSEE

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

For the Year Ended June 30, 2017

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES (Continued)				
Debt Service:				
Principal Retirement	3,280,000	0	0	3,280,000
Interest	1,411,348	1,437,081	0	2,848,429
Fees	265,648	0	0	265,648
Capital Projects - Capital Outlay	0	0	293,964	293,964
Total Expenditures	50,756,687	1,437,081	2,387,983	54,581,751
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,012,555	9,377,774	(781,065)	11,609,264
OTHER FINANCING SOURCES (USES)				
Other Financing Sources:				
Issuance of Bonds	5,460,000	0	0	5,460,000
Premium on Debt Issuance	227,693	0	0	227,693
Refunding Bond Issued	8,166,283	0	0	8,166,283
Premium on Refunding Bonds	225,047	0	0	225,047
Transfers from Other Funds	0	0	1,052,423	1,052,423
Other Financing Uses:				
Payments on Debt Refunding	(8,267,160)	0	0	(8,267,160)
Transfers to Other Funds	(2,162,079)	(2,644,425)	0	(4,806,504)
Total Other Financing Sources (Uses)	3,649,784	(2,644,425)	1,052,423	2,057,782
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,662,339	6,733,349	271,358	13,667,046
FUND BALANCES, BEGINNING OF YEAR	40,895,280	2,696,126	2,223,579	45,814,985
FUND BALANCES, END OF YEAR	$ 47,557,619	$ 9,429,475	$ 2,494,937	$ 59,482,031

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

CITY OF PIGEON FORGE, TENNESSEE

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

For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances (page 20)	$ 13,667,046
Amounts Reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation ($3,270,232) was exceeded by capital outlays ($5,031,819) in the current period.	1,761,587
In the Statement of Activities, only the net gain/loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets which were sold.	(644,171)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	4,442,791
The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. Also, governmental funds report the effect of, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(2,066,877)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in Accrued Interest Expense	(4,054)
Change in Compensated Absences Payable and Other Post Employment Benefits	(244,163)
Change in Due to Other Governmental Agencies	(704,000)
Change in Net Position of Governmental Activities - Statement of Activities (page 16)	$ 16,208,159

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

CITY OF PIGEON FORGE, TENNESSEE

GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON

For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Local Taxes:				
Current Year Property Taxes	$ 1,244,596	$ 1,244,596	$ 1,351,096	$ 106,500
Payments in Lieu of Tax	523,577	523,577	521,093	(2,484)
Prior Years Property Taxes	0	0	(665)	(665)
Penalties Property Taxes	22,500	22,500	10,899	(11,601)
Amusement Tax	5,270,610	5,270,610	4,794,601	(476,009)
Cable Television Franchise Tax	130,000	130,000	138,917	8,917
Room Occupancy Tax	6,452,522	6,452,522	6,062,163	(390,359)
Local Sales Tax	16,632,770	16,632,770	15,249,751	(1,383,019)
Wholesale Beer Tax	800,000	800,000	878,789	78,789
Minimum Business Tax	900,000	900,000	1,169,491	269,491
Restaurant Tax	3,161,569	3,161,569	2,691,984	(469,585)
Gross Receipts Tax	13,854,110	13,854,110	12,636,075	(1,218,035)
Other Taxes	11,000	11,000	5,929	(5,071)
Total Taxes	49,003,254	49,003,254	45,510,123	(3,493,131)
Licenses and Permits:				
Beer Licenses	8,000	8,000	11,620	3,620
Building and Related Permits	210,000	210,000	232,997	22,997
Liquor Licenses	32,000	32,000	35,750	3,750
Alcoholic Beverage Inspection Fee	0	0	364,545	364,545
Total Licenses and Permits	250,000	250,000	644,912	394,912
Intergovernmental:				
Grants	2,195,211	2,195,211	1,206,277	(988,934)
State Premier Resort Tax	3,469,347	3,469,347	3,469,016	(331)
Franchise and Income Tax	30,000	30,000	23,345	(6,655)
Tax Sharing for Streets	11,952	11,952	11,881	(71)
State Beer and Alcohol Tax	1,500	1,500	2,837	1,337
Total Intergovernmental	5,708,010	5,708,010	4,713,356	(994,654)
Fees and Charges for Services:				
Trolley Income	450,000	450,000	438,739	(11,261)
Street Maintenance Contracts	89,511	89,511	89,428	(83)
Parks & Recreation Charges	681,700	681,700	607,449	(74,251)
Special Events Revenues	88,000	88,000	94,928	6,928
Fire Protection	49,750	49,750	59,750	10,000
Online Advertising Sales	380,000	380,000	245,375	(134,625)
Police Protection	30,000	30,000	30,000	0
Tourism Income	545,175	545,175	581,618	36,443
Miscellaneous Income	37,000	37,000	75,081	38,081
Total Fees and Charges for Services	2,351,136	2,351,136	2,222,368	(128,768)
Fines and Penalties	237,750	237,750	228,813	(8,937)
Interest and Dividends	68,000	68,000	222,970	154,970
Net Loss on Investment Portfolio	0	0	(78,049)	(78,049)
Rents and Royalties	99,598	99,598	99,598	0
Other Revenues	74,200	74,200	205,151	130,951
Total Revenues	57,791,948	57,791,948	53,769,242	(4,022,706)

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

CITY OF PIGEON FORGE, TENNESSEE

GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)

For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES				
Administration, Finance, and Other General Government:				
City Court:				
Personnel Costs	22,979	22,979	22,219	760
City Hall Building Operations:				
Capital Outlay	10,000	10,000	0	10,000
General Services	1,337,450	1,337,450	162,775	1,174,675
Total City Hall Building Operations	1,347,450	1,347,450	162,775	1,184,675
Financial Administration:				
Personnel Costs	1,037,319	1,037,319	977,764	59,555
Supplies	57,760	57,760	29,497	28,263
Maintenance	49,394	49,394	41,534	7,860
Capital Outlay	40,000	40,000	32,071	7,929
General Services	145,988	145,988	81,091	64,897
Total Financial Administration	1,330,461	1,330,461	1,161,957	168,504
Legislative:				
Personnel Costs	109,095	109,095	93,338	15,757
General Services	545,332	545,332	497,120	48,212
Total Legislative	654,427	654,427	590,458	63,969
Other General Government:				
Personnel Costs	237,820	237,820	205,449	32,371
Supplies	7,500	7,500	0	7,500
General Services	2,747,695	2,747,695	2,530,018	217,677
Capital Outlay	2,026,835	3,219,835	2,075,576	1,144,259
Total Other General Government	5,019,850	6,212,850	4,811,043	1,401,807
City Maintenance:				
Personnel Costs	608,959	608,959	526,843	82,116
Supplies	78,680	78,680	68,745	9,935
General Services	34,507	34,507	16,788	17,719
Maintenance	205,270	205,270	147,205	58,065
Capital Outlay	412;500	412,500	0	412,500
Total City Maintenance	1,339,916	1,339,916	759,581	580,335
Total Administration, Finance, and Other General Government	9,715,083	10,908,083	7,508,033	3,400,050
City Garage:				
Personnel Costs	629,990	629,990	608,207	21,783
Supplies	64,440	64,440	27,120	37,320
Maintenance	7,800	7,800	13,439	(5,639)
General Services	62,969	62,969	38,637	24,332
Total City Garage	765,199	765,199	687,403	77,796

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

CITY OF PIGEON FORGE, TENNESSEE

GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Department of Tourism:				
Personnel Costs	1,119,301	1,119,301	991,260	128,041
Supplies	28,500	28,500	19,515	8,985
Maintenance	31,000	31,000	14,535	16,465
General Services	1,164,508	1,164,508	996,828	167,680
Capital Outlay	28,000	28,000	29,197	(1,197)
Advertising	10,534,588	13,434,588	13,385,355	49,233
Total Department of Tourism	12,905,897	15,805,897	15,436,690	369,207
Fire Protection and Control:				
Personnel Costs	3,223,182	3,223,182	2,892,646	330,536
Supplies	358,555	358,555	285,230	73,325
Maintenance	56,650	56,650	57,207	(557)
General Services	153,836	153,836	238,497	(84,661)
Capital Outlay	787,530	787,530	728,482	59,048
Total Fire Protection and Control	4,579,753	4,579,753	4,202,062	377,691
Highway and Streets:				
Personnel Costs	1,538,919	1,538,919	1,468,161	70,758
Supplies	198,082	198,082	138,085	59,997
Maintenance	167,764	167,764	87,583	80,181
General Services	228,549	228,549	156,464	72,085
Capital Outlay	1,535,925	1,535,925	1,239,150	296,775
Total Highway and Streets	3,669,239	3,669,239	3,089,443	579,796
Information Technology:				
Personnel Costs	212,937	212,937	187,763	25,174
Supplies	1,300	1,300	742	558
Maintenance	250	250	0	250
General Services	428,208	428,208	199,340	228,868
Capital Outlay	14,111	14,111	7,875	6,236
Total Information Technology	656,806	656,806	395,720	261,086
Library Administration:				
Personnel Costs	375,832	375,832	334,769	41,063
Supplies	43,100	43,100	36,018	7,082
Maintenance	8,400	8,400	7,371	1,029
General Services	107,680	107,680	61,436	46,244
Total Library Administration	535,012	535,012	439,594	95,418
Park Administration:				
Personnel Costs	909,868	909,868	851,726	58,142
Supplies	171,680	171,680	111,050	60,630
Maintenance	83,700	83,700	66,814	16,886
General Services	114,907	114,907	85,209	29,698
Capital Outlay	1,192,250	1,192,250	156,033	1,036,217
Total Park Administration	2,472,405	2,472,405	1,270,832	1,201,573

CITY OF PIGEON FORGE, TENNESSEE

GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)

For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES (Continued)				
Police:				
Personnel Costs	5,738,645	5,738,645	5,198,912	539,733
Supplies	607,965	607,965	348,156	259,809
Maintenance	163,143	163,143	121,741	41,402
General Services	157,394	157,394	81,399	75,995
Capital Outlay	392,250	392,250	358,870	33,380
Total Police	7,059,397	7,059,397	6,109,078	950,319
Protective Inspection:				
Personnel Costs	485,395	485,395	474,487	10,908
Supplies	19,250	19,250	6,167	13,083
Maintenance	12,500	12,500	10,747	1,753
General Services	14,306	14,306	6,024	8,282
Capital Outlay	52,000	52,000	46,238	5,762
Total Protective Inspection	583,451	583,451	543,663	39,788
Public Transportation Systems:				
Personnel Costs	3,363,708	3,363,708	1,966,111	1,397,597
Supplies	615,134	615,134	348,882	266,252
Maintenance	235,234	235,234	238,816	(3,582)
General Services	95,539	95,539	65,508	30,031
Capital Outlay	518,390	518,390	831,858	(313,468)
Total Public Transportation Systems	4,828,005	4,828,005	3,451,175	1,376,830
Recreation Administration/Community Center:				
Personnel Costs	1,293,233	1,293,233	1,033,234	259,999
Supplies	135,131	135,131	106,958	28,173
Maintenance	19,620	19,620	15,727	3,893
General Services	435,473	435,473	406,853	28,620
Capital Outlay	146,516	146,516	115,655	30,861
Total Recreation Administration/Community Center	2,029,973	2,029,973	1,678,427	351,546
Special Events:				
Personnel Costs	265,295	265,295	255,635	9,660
Supplies	8,300	8,300	2,645	5,655
Maintenance	5,800	5,800	2,162	3,638
General Services	475,240	475,240	415,645	59,595
Total Special Events	754,635	754,635	676,087	78,548
Community Development:				
Personnel Costs	298,166	298,166	286,157	12,009
Supplies	14,443	14,443	6,156	8,287
Maintenance	1,750	1,750	201	1,549
General Services	26,257	26,257	18,970	7,287
Total Community Development	340,616	340,616	311,484	29,132

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

CITY OF PIGEON FORGE, TENNESSEE

GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)

For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES (Continued)				
Debt Service:				
Debt Service - Principal	3,280,000	3,280,000	3,280,000	0
Debt Service - Interest	1,454,398	1,454,398	1,411,348	43,050
Debt Service - Fees	0	270,000	265,648	4,352
Total Debt Service	4,734,398	5,004,398	4,956,996	47,402
Total Expenditures	55,629,869	59,992,869	50,756,687	9,236,182
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,162,079	(2,200,921)	3,012,555	5,213,476
Other Financing Sources (Uses):				
Other Financing Sources:				
Issuance of Bonds	0	0	5,460,000	5,460,000
Premium on Debt Issuance	0	0	227,693	227,693
Refunding Bond Issued	0	0	8,166,283	8,166,283
Premium on Refunding Bonds	0	0	225,047	225,047
Other Financing Uses:				
Payments on Debt Refunding	0	0	(8,267,160)	(8,267,160)
Transfers to Other Funds	(2,162,079)	(2,162,079)	(2,162,079)	0
Total Other Financing Sources (Uses)	(2,162,079)	(2,162,079)	3,649,784	5,811,863
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	(4,363,000)	6,662,339	11,025,339
Fund Balance at Beginning of Year	40,895,280	40,895,280	40,895,280	0
Fund Balance at End of Year	$ 40,895,280	$ 36,532,280	$ 47,557,619	$ 11,025,339

CITY OF PIGEON FORGE, TENNESSEE

SPECIAL REVENUE FUND - TOURISM DEVELOPMENT ZONE FUND
STATEMENT OF TOURISM DEVELOPMENT ZONE FUND BUDGETARY COMPARISON

For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sales Tax	$ 6,365,413	$ 6,365,413	$ 10,814,855	$ 4,449,442
EXPENDITURES				
Debt Service	2,167,169	2,167,169	1,437,081	730,088
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,198,244	4,198,244	9,377,774	5,179,530
OTHER FINANCING SOURCES (USES)				
Transfer to LeConte Center Fund	(2,644,375)	(2,644,375)	(2,644,425)	(50)
Transfer from General Fund	0	0	0	0
Transfer from Water and Sewer Fund	0	0	0	0
Total Other Financing Sources (Uses)	(2,644,375)	(2,644,375)	(2,644,425)	(50)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,553,869	1,553,869	6,733,349	5,179,480
FUND BALANCES, BEGINNING OF YEAR	2,696,126	2,696,126	2,696,126	0
FUND BALANCES, END OF YEAR	$ 4,249,995	$ 4,249,995	$ 9,429,475	$ 5,179,480

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

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2017

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 19,045,619	$ 1,898,941	$ 1,917,845	$ 22,862,405
Certificates of Deposit	1,053,292	0	0	1,053,292
Investments	3,650,736	0	0	3,650,736
Receivables, Net	1,388,929	0	0	1,388,929
Sponsorships Receivable	0	0	57,218	57,218
Prepaid Items	0	0	66,547	66,547
Inventories	290,013	0	154,513	444,526
Total Current Assets	25,428,589	1,898,941	2,196,123	29,523,653
NONCURRENT ASSETS				
Restricted Cash and Cash Equivalents	1,348,145	0	0	1,348,145
Sponsorships Receivable	0	0	6,750	6,750
Investment in Joint Venture	6,000,522	0	0	6,000,522
Capital Assets				
Nondepreciable	14,980,348	3,185,168	12,250,178	30,415,694
Depreciable, Net of Accumulated Depreciation	68,097,635	47,832,716	17,533,792	133,464,143
Total Capital Assets, Net of Accumulated Depreciation	83,077,983	51,017,884	29,783,970	163,879,837
Total Noncurrent Assets	90,426,650	51,017,884	29,790,720	171,235,254
DEFERRED OUTFLOWS OF RESOURCES	232,437	0	0	232,437
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 116,087,676	$ 52,916,825	$ 31,986,843	$ 200,991,344
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 256,112	$ 561,502	$ 419,113	$ 1,236,727
Due to Other Funds, Net	114,236	(15,133)	10,161	109,264
Accrued Interest	193,397	190,323	0	383,720
Taxes Payable	65,366	4	19,305	84,675
Compensated Absences	66,780	33,260	0	100,040
Unearned Revenue	0		1,022,495	1,022,495
Long-Term Debt - Current Portion	859,477	400,000	0	1,259,477
Total Current Liabilities	1,555,368	1,169,956	1,471,074	4,196,398
NONCURRENT LIABILITIES				
Unearned Revenue	0	0	6,750	6,750
Long-Term Debt	62,196,846	47,750,000	0	109,946,846
Total Liabilities	63,752,214	48,919,956	1,477,824	114,149,994
DEFERRED INFLOWS OF RESOURCES				
Derivative Instrument - Interest Rate Swap	2,322,196	0	0	2,322,196
NET POSITION				
Net Investment in Capital Assets	19,280,046	2,867,884	29,783,970	51,931,900
Unrestricted	30,733,220	1,128,985	725,049	32,587,254
Total Net Position	50,013,266	3,996,869	30,509,019	84,519,154
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 116,087,676	$ 52,916,825	$ 31,986,843	$ 200,991,344

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

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
OPERATING REVENUES				
Fees and Charges for Services	$ 14,308,519	$ 826,109	$ 2,410,189	$ 17,544,817
Fines and Penalties	127,399	0	0	127,399
Other Revenues	287,144	0	0	287,144
Tap Fees	352,250	0	0	352,250
Sponsorships	0	0	497,650	497,650
Total Operating Revenues	15,075,312	826,109	2,907,839	18,809,260
OPERATING EXPENSES				
Purification	1,682,947	0	0	1,682,947
Transmission and Distribution	951,972	0	0	951,972
Sewer System	369,265	0	0	369,265
Sewer Treatment and Disposal	2,961,970	0	0	2,961,970
Customer Accounting and Collections	158,825	0	0	158,825
Administrative and General	1,076,503	0	0	1,076,503
Personnel Costs	0	555,757	609,303	1,165,060
Supplies	0	78,646	9,984	88,630
Maintenance	0	56,376	121,806	178,182
General Services	0	904,892	1,709,843	2,614,735
Depreciation	2,162,295	1,430,311	931,700	4,524,306
Total Operating Expenses	9,363,777	3,025,982	3,382,636	15,772,395
OPERATING INCOME (LOSS)	5,711,535	(2,199,873)	(474,797)	3,036,865
NONOPERATING REVENUES (EXPENSES)				
Interest and Dividends	57,118	0	0	57,118
Debt Service Fees	(124,579)	0	0	(124,579)
Interest Expense	(2,723,858)	0	0	(2,723,858)
Loss on Disposal of Plant	(556,631)	0	0	(556,631)
Interest on Capital Lease	0	(2,293,550)	0	(2,293,550)
Change in Fair Value of Invesments	(18,620)	0	0	(18,620)
Change in Fair Value of Derivatives - Interest Rate Swap	812,224	0	0	812,224
Total Nonoperating Expenses	(2,554,346)	(2,293,550)	0	(4,847,896)
CHANGE IN NET POSITION BEFORE TRANSFERS	3,157,189	(4,493,423)	(474,797)	(1,811,031)
TRANSFERS FROM OTHER FUNDS	0	3,754,081	0	3,754,081
CHANGE IN NET POSITION	3,157,189	(739,342)	(474,797)	1,943,050
NET POSITION, BEGINNING OF YEAR	46,856,077	4,736,211	30,983,816	82,576,104
NET POSITION, END OF YEAR	$ 50,013,266	$ 3,996,869	$ 30,509,019	$ 84,519,154

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

CITY OF PIGEON FORGE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 15,109,667	$ 826,110	$ 3,064,805	$ 19,000,582
Cash Paid to or on Behalf of Employees	(1,472,022)	(539,591)	0	(2,011,613)
Cash Paid to Suppliers	(5,627,637)	(930,816)	(2,514,866)	(9,073,319)
Net Cash Provided by (Used in) Operating Activities	8,010,008	(644,297)	549,939	7,915,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(1,486,529)	(27,149)	(41,845)	(1,555,523)
Transfers Received for Capital Purposes	0	2,644,425	0	2,644,425
Principal Paid on Debt Maturities	(803,104)	(350,000)	0	(1,153,104)
Interest Expense	(2,700,854)	(2,294,425)	0	(4,995,279)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(4,990,487)	(27,149)	(41,845)	(5,059,481)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	0	1,109,656	0	1,109,656
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	0	1,109,656	0	1,109,656
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Increase of Certificates of Deposit	(4,197)	0	0	(4,197)
Purchases of Investments	(3,653,785)	0	0	(3,653,785)
Cash Receipts on Sales of Investments	3,621,116	0	0	3,621,116
Interest and Dividends	57,118	0	0	57,118
Net Cash Provided by (Used in) Investing Activities	20,252	0	0	20,252
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,039,773	438,210	508,094	3,986,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,353,991	1,460,731	1,409,751	20,224,473
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 20,393,764	$ 1,898,941	$ 1,917,845	$ 24,210,550
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities				
Operating Income (Loss)	$ 5,711,535	$ (2,199,873)	$ (474,797)	$ 3,036,865
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	2,162,295	1,430,311	931,700	4,524,306
(Increase) Decrease in Assets:				
Accounts Receivable	34,355	0	362,241	396,596
Due From Other Funds	1,858	(15,133)	10,161	(3,114)
Inventories	(1,034)	0	(40,969)	(42,003)
Prepaid Items	0	0	4,701	4,701
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	86,829	124,379	(21,591)	189,617
Taxes Payable	(4,410)	(148)	(16,232)	(20,790)
Compensated Absences	18,580	16,167	0	34,747
Unearned Revenue	0	0	(205,275)	(205,275)
Total Adjustments	2,298,473	1,555,576	1,024,736	4,878,785
Net Cash Provided by (Used in) Operating Activities	$ 8,010,008	$ (644,297)	$ 549,939	$ 7,915,650
Supplemental Disclosure of Noncash Investing and Financing Activities				
Change in Fair Value of Derivatives - Interest Rate Swap	$ 812,224	$ 0	$ 0	$ 812,224
Bonds Issued to Refund Previously Issued Bonds	$ 5,693,717	$ 0	$ 0	$ 5,693,717
Debt Issuance Costs on Bonds Issued	$ 110,607	$ 0	$ 0	$ 110,607
Deferred Amount on Refunding of Bonds, Net	$ 168,859	$ 0	$ 0	$ 168,859
Amortization of Deferred Amount of Refunding	$ 10,727	$ 0	$ 0	$ 10,727
Amortization of Bond Premium	$ (7,323)	$ 0	$ 0	$ (7,323)
Change in Fair Value of Restricted Investments	$ (18,620)	$ 0	$ 0	$ (18,620)

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

CITY OF PIGEON FORGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - GENERAL INFORMATION

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

Discretely Presented Component Unit - The Industrial Development Board of the City of Pigeon Forge (the "Board") is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section 7-53-101 et seq. The Board was formed in 1980 but was inactive for many years. With the State's approval, the Board was reinstated in 2011. The board members of the Board are appointed by City Council. The Board performs public functions on behalf of the City and its purpose is to undertake the financing and development of projects deemed by the Act to promote industry, trade, commerce, tourism and recreation and housing construction. The Board participates in economic development activities by serving as a conduit for financing commerce and tourism projects. The Board accounts for its operations as an enterprise fund. The Board is reported in a single column in the combined financial statements to emphasize that it is legally separate from the City. Complete financial statements for the Board may be obtained from their administrative office at 3221 Rena Street, Pigeon Forge, Tennessee 37863.

Accounting Pronouncements - The accounting and reporting policies of the City relating to the accounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. All applicable GASB Statements have been implemented. As required by GASB Statement No. 34, the City classifies its net position into three components - net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

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

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

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

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

NOTE 1 - GENERAL INFORMATION (Continued)

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

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

The various fund categories and fund types presented in the financial statements are described below.

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

Governmental Fund Types

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

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

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

Proprietary Fund Type - Enterprise Funds

Water and Sewer System, LeConte Center and Sports Facility - To account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Discretely Presented Component Unit

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

NOTE 1 - GENERAL INFORMATION (Continued)

Fund Balance Classifications - The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* ("GASB 54") effective for the fiscal year ended June 30, 2011. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include non-spendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, GASB 54 clarified the definitions of the General Fund and the special revenue, capital projects, and debt service fund types. These classifications are defined as follows:

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized only as they become susceptible to accrual (measurable and available):

A. Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest revenue and charges for services (collected within sixty days after year-end).

B. Interest and principal on general long-term debt indebtedness are not accrued but are recorded as an expenditure on their due date.

C. Compensated absences are not accrued but are recorded as expenditures.

D. Disbursements for purchase of capital assets providing future benefits are considered expenditures; loan and bond proceeds are reported as other financing sources.

E. Other tax and non-exchange revenue receivable includes local and state taxes, local beer tax, state income tax, special gross receipts tax, amusement tax, room occupancy tax, cable TV franchise tax, and state gasoline and motor fuel taxes. Certain non-exchange transactions related to minimum business tax, city and court fines and costs, and drug related fines are not recognized because they are not measurable. Certain other non-exchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

Proprietary Funds

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

Major Funds

Major Governmental Fund: The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tourism Development Zone fund is used to primarily account for the taxes generated from activities in a portion of a tourism development zone as designated per Tennessee Code.

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

Discretely Presented Component Unit

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restrictions - When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City's policy that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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

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

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

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

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

Investments - Investments are carried at fair value as determined by quoted market prices as of June 30, 2017, and any unrealized gain/loss is recorded in change in fair value of investments.

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

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

Capital Assets

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

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

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

Capital assets are stated at cost or estimated original cost, net of accumulated depreciation. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method. The City's capitalization threshold is $5,000. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

Depreciation rates are as follows:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. This consists of deferred charges on debt refundings resulting from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

Budgetary Principles - All funds except the capital projects funds of the City operate under annual appropriations budgets. The appropriation ordinance is passed on a departmental level for the general and proprietary funds and on a fund level for the special revenue funds. The budget documents are prepared in accordance with the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America for all funds, except for the proprietary fund.

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Inflows of Resources - As noted above, property taxes for 2017 are recognized as an enforceable legal claim on January 1, 2017. However, the revenue net of estimated refunds and estimated uncollectible amounts is recognized in the year in which the levy occurs and therefore is deferred until the following year. Grants received in advance consist of grant funding received before time or usage requirements have been met. The negative fair value of the derivative instrument is reported as a deferred inflow of resources.

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

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

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

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

Recent Accounting Pronouncements - During the fiscal year ended June 30, 2017, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which establishes guidance for disclosure of tax abatements resulting from agreements that are entered into by the reporting government and agreements that are entered into by other governments and that reduce the reporting government's tax revenue (see Note 20).

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes guidance for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The new standard is effective for fiscal years beginning after June 15, 2017. Early adoption is permitted. The City is currently evaluating the effects that the adoption of this guidance will have on its financial statements.

Reclassifications - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2016 balances may have been reclassified in order to be consistent with their classification for June 30, 2017.

NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT

Custodial Credit Risk - Deposits - In the case of cash and certificates of deposit, this is the risk that in the event of a bank failure, the City's deposits will not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, the book balances of cash, certificates of deposit, and restricted cash totaled $69,143,524 and the bank balances totaled $69,973,390 ($2,026,596 of which was covered by FDIC insurance, $45,796,872 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department and $22,149,922 which is in a financial institution not participating in the bank pool, but this institution pledges collateral held in safekeeping by a third party bank acting as an agent of the City in the City's name).

The Board has book and bank balances of cash and restricted cash totaling $1,239 as of June 30, 2017. The Board has no balance of uninsured cash as of June 30, 2017.

NOTE 4 - INVESTMENTS

Investment Policies

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Investing is performed in accordance with investment policies which comply with applicable state statutes. The City's Investment Policy allows only investments in the highest-grade securities. As of June 30, 2017, The City's investment holdings were in compliance with state statutes.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount it may invest in any one issuer. As of June 30, 2017, 94% of the City's investments are in U.S. Treasuries and 6% are in federal agency debt securities. All U.S. Treasuries have an Aaa credit rating and federal agency debt securities have an Aaa credit rating.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment broker at June 30, 2017 provides Securities Investor Protection Corporation (SIPC) and other insurance.

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

	Fair Value	Less than 1 Year	1 - 2 Years	2 - 4 Years
Investments				
Primary Government:				
U.S. Treasuries	$ 14,493,431	$ 9,016,921	$ 5,476,510	$ 0
Federal Agency Debt Securities	998,080	998,080	0	0
	$ 15,491,511	$ 10,015,001	$ 5,476,510	$ 0

NOTE 5 - FAIR VALUE OF INVESTMENTS

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

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

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

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

NOTE 5 - FAIR VALUE OF INVESTMENTS (Continued)

The City has the following recurring fair value measurements as of June 30, 2017:

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

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

The following table summarizes the assets and liabilities of the City and Board for which fair values are determined on a recurring basis as of June 30, 2017:

		Fair Value Measurements Using		
Primary Government	Carrying Amount in the Balance Sheet	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
U.S. Treasuries	$ 14,493,431	$ 14,493,431	$ 0	$ 0
Federal Agency Debt Securities	998,080	0	998,080	0
	$ 15,491,511	$ 14,493,431	$ 998,080	$ 0
Derivative Liability:				
Derivative Liability - Interest Rate Swap	$ 2,322,196	$ 0	$ 2,322,196	$ 0

NOTE 6 - RECEIVABLES

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

	General Fund	Nonmajor and Other Funds	Total
Receivables			
Interest	$ 6,259	$ 0	$ 6,259
Taxes			
Property - Unbilled	1,395,772	0	1,395,772
Property - Billed	60,483	0	60,483
Sales	1,335,839	0	1,335,839
Special Gross Receipts	1,381,527	0	1,381,527
Amusement	614,262	0	614,262
Restaurant	298,492	0	298,492
Room Occupancy	691,642	0	691,642
Premier Resort	644,792	0	644,792
Gasoline (Restricted for Streets and Highways)	0	45,013	45,013
Wholesale Beer	89,834	0	89,834
Minimum Business	44,817	0	44,817
Other	102,297	0	102,297
Intergovernmental	689,320	0	689,320
Gross Receivables	7,355,336	45,013	7,400,349
Less: Allowance for Uncollectibles	(13,075)	0	(13,075)
Total Receivables, Net	$ 7,342,261	$ 45,013	$ 7,387,274

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

	Due From Other Funds	Due to Other Funds	Total Internal Balances
Governmental Activities:			
General Fund	$ 10,543	$ (9,444,474)	$ (9,433,931)
Tourism Development Zone Fund	9,429,475	0	9,429,475
Nonmajor Funds	113,861	(141)	113,720
Total Governmental Activities	$ 9,553,879	$ (9,444,615)	$ 109,264
Business-type Activities:			
Water and Sewer	$ 0	$ (114,236)	$ (114,236)
LeConte Center	15,133	0	15,133
Sports Facility	0	(10,161)	(10,161)
Total Business-type Activities	$ 15,133	$ (124,397)	$ (109,264)

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

Interfund transfers during the fiscal year were as follows:

	Transfers From:		
	Governmental Activities		
	General Fund	Tourism Development Zone Fund	Total
Transfers To:			
Governmental Activities:			
Nonmajor Funds	$ 1,052,423	$ 0	$ 1,052,423
Business-type Activities:			
LeConte Center Fund	1,109,656	2,644,425	3,754,081
	$ 2,162,079	$ 2,644,425	$ 4,806,504

Transfers at the fund level are used to (1) move revenues or other cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 40,096,541	$ 0	$ 0	$ 40,096,541
Construction in Progress	15,121,375	2,149,136	(3,905,981)	13,364,530
Total Capital Assets, Not Being Depreciated	55,217,916	2,149,136	(3,905,981)	53,461,071
Capital Assets, Being Depreciated:				
Buildings	19,377,369	0	0	19,377,369
Improvements other than Buildings	11,168,030	0	0	11,168,030
Equipment	5,704,508	428,677	(15,999)	6,117,186
Automobiles	14,478,235	2,421,026	(430,387)	16,468,874
Infrastructure	55,484,830	3,336,173	0	58,821,003
Total Capital Assets, Being Depreciated	106,212,972	6,185,876	(446,386)	111,952,462
Less accumulated depreciation for:				
Buildings	(7,917,714)	(485,755)	0	(8,403,469)
Improvements other than Buildings	(4,901,502)	(486,842)	0	(5,388,344)
Equipment	(4,201,298)	(323,003)	6,266	(4,518,035)
Automobiles	(8,695,006)	(1,019,665)	398,733	(9,315,938)
Infrastructure	(19,114,327)	(954,966)	0	(20,069,293)
Total Accumulated Depreciation	(44,829,847)	(3,270,231)	404,999	(47,695,079)
Total Capital Assets, Being Depreciated, Net	61,383,125	2,915,645	(41,387)	64,257,383
Governmental Activities Capital Assets, Net	$ 116,601,041	$ 5,064,781	$ (3,947,368)	$ 117,718,454
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	$ 29,721,159	$ 0	$ 0	$ 29,721,159
Construction in Progress	4,153,234	833,085	(4,291,784)	694,535
Total Capital Assets, Not Being Depreciated	33,874,393	833,085	(4,291,784)	30,415,694
Capital Assets, Being Depreciated:				
Buildings	70,105,765	0	0	70,105,765
Water Plant and Improvements other than Buildings	33,583,297	3,199,517	0	36,782,814
Equipment	3,742,731	166,598	0	3,909,329
Automobiles	1,038,720	32,684	0	1,071,404
Infrastructure	52,418,886	1,058,792	0	53,477,678
Total Capital Assets, Being Depreciated	160,889,399	4,457,591	0	165,346,990
Less Accumulated Depreciation for:				
Buildings	(2,560,001)	(1,594,761)	0	(4,154,762)
Water Plant and Improvements other than Buildings	(2,206,633)	(1,422,010)	0	(3,628,643)
Equipment	(746,517)	(325,424)	0	(1,071,941)
Automobiles	(544,274)	(65,158)	0	(609,432)
Infrastructure	(21,301,116)	(1,116,953)	0	(22,418,069)
Total Accumulated Depreciation	(27,358,541)	(4,524,306)	0	(31,882,847)
Total Capital Assets, Being Depreciated, Net	133,530,858	(66,715)	0	133,464,143
Business-type Activities Capital Assets, Net	$ 167,405,251	$ 766,370	$ (4,291,784)	$ 163,879,837

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation was charged to primary government governmental activities as follows:

Administration, Finance and Other General Government:		
Administration/Finance	$	123,755
City Maintenance		37,271
City Garage		22,969
Community Development		4,329
Department of Tourism		70,618
Fire Protection		208,691
Highways and Streets		1,199,409
Library Administration		30,080
Park Administration		367,487
Police Protection		304,968
Protective Inspection		1,951
Public Transportation System		464,046
Recreation Administration/Community Center		221,541
Sanitation		184,557
Special Events		28,559
Total Governmental Depreciation	$	3,270,231

At June 30, 2017, the City had significant contractual commitments for construction totaling approximately $9,606,000 with total related expenditures to date of approximately $9,372,000.

NOTE 9 - EQUIPMENT AND OTHER LEASE COMMITMENTS

The City has equipment leases that are classified as operating leases. Rental expense under all operating leases amounted to $14,153. The contracts provide for termination of the leases under certain conditions.

Also see Notes 15 and 16 for other lease agreements.

NOTE 10 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP

The long-term obligations outstanding and the changes therein for the year ended June 30, 2017 are as follows:

Debt Issue	Balance July 01, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Governmental Activities:					
Long-Term Debt:					
General Obligation Bonds:					
Refunding, Series 2008A	$ 8,380,665	$ 0	$ 8,088,785	$ 291,880	$ 291,880
Refunding, Series 2009B	8,745,000	0	2,075,000	6,670,000	2,140,000
Series 2012	23,625,000	0	750,000	22,875,000	775,000
Series 2014	9,420,000	0	335,000	9,085,000	345,000
Series 2015	9,535,000	0	365,000	9,170,000	370,000
Refunding, Series 2016	0	8,166,283	0	8,166,283	93,643
Series 2017	0	5,460,000	0	5,460,000	450,000
Loans Payable to the Public:					
Building Authority of Sevier County:					
Loan Series VII-K-1	17,220,000	0	100,000	17,120,000	125,000
Total Long-Term Debt	76,925,665	13,626,283	11,713,785	78,838,163	4,590,523
Premiums on Issuance	1,939,053	452,740	212,731	2,179,062	0
	78,864,718	14,079,023	11,926,516	81,017,225	4,590,523
Compensated Absences	728,687	816,119	607,540	937,266	937,266
Total Long-Term Obligations	$ 79,593,405	$ 14,895,142	$ 12,534,056	$ 81,954,491	$ 5,527,789
Business-Type Activities:					
Long-Term Debt					
General Obligation Bonds,					
Refunding, Series 2008A	$ 5,999,317	$ 0	$ 5,791,215	$ 208,102	$ 208,102
Refunding, Series 2009	765,000	0	185,000	580,000	190,000
Series 2010	45,000,000	0	0	45,000,000	0
Refunding, Series 2016	0	1,548,717	0	1,548,717	16,375
Refunding, Series 2017	0	4,145,000	0	4,145,000	10,000
Loans Payable to the Public					
Building Authority of Sevier County:					
Loan Series VII-K-1	11,845,000	0	410,000	11,435,000	435,000
Total Long-Term Debt	63,609,317	5,693,717	6,386,215	62,916,819	859,477
Premium (Discount) on Issuance	(54,028)	200,855	7,323	139,504	0
	63,555,289	5,894,572	6,393,538	63,056,323	859,477
Capital Lease	48,500,000	0	350,000	48,150,000	400,000
Compensated Absences	65,293	94,404	59,657	100,040	100,040
Total Long-Term Obligations	$ 112,120,582	$ 5,988,976	$ 6,803,195	$ 111,306,363	$ 1,359,517

During 2011, the City issued $45,000,000 in General Obligation Bonds - Series 2010 (Federally Taxable - Build America Bonds). Interest payments are made semi-annually at a gross interest rate of 6.875%, or at a net rate of 3.78%. The City receives a direct subsidy of 41.76% from the United States Government that reduces its interest costs. The City has no assurance that the United States Government will continue to make the direct subsidy payments or reduce the amount of future subsidies. Interest subsidies received by the City during 2017 totaled $1,329,852.

	Balance July 01, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Component Unit:					
Long-Term Debt					
Public Facility Bonds, Series 2011	$ 48,500,000	$ 0	$ 350,000	$ 48,150,000	$ 400,000
Total Long-Term Debt	48,500,000	0	350,000	48,150,000	400,000
Premiums on Issuance	1,729,721	0	86,127	1,643,594	0
Total Long-Term Obligations	$ 50,229,721	$ 0	$ 436,127	$ 49,793,594	$ 400,000

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

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

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2017
Governmental Activities:					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	$ 9,999,443	$ 291,880
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	5.00%	6/1/2011	6/1/2034	17,235,000	17,120,000
General Obligation Refunding Bonds - Series 2009B	2.50% - 4.25%	11/19/2009	6/1/2020	17,750,000	6,670,000
General Obligation Bonds Series 2012	2.50% - 4.00%	6/28/2012	6/1/2037	25,000,000	22,875,000
General Obligation Bonds Series 2014	2.00% - 3.50%	12/18/2014	6/30/2037	9,750,000	9,085,000
General Obligation Bonds Series 2015	2.00% - 3.00%	2/20/2015	6/30/2037	9,890,000	9,170,000
General Obligation Refunding Bonds - Series 2016	2.00%	11/30/2016	6/1/2028	8,166,283	8,166,283
General Obligation Bonds Series 2017	2.00% - 4.00%	4/20/2017	6/1/2027	5,460,000	5,460,000
Total Governmental Activities Debt					$ 78,838,163
Business-Type Activities:					
General Obligation Refunding Bonds - Series 2008A	4.00% - 4.90%	4/24/2008	6/1/2028	$ 5,350,557	$ 208,102
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	See interest rate swap information below	6/1/2011	6/1/2034	12,465,000	11,435,000
General Obligation Refunding Bonds - Series 2009	3.00% - 3.80%	3/12/2009	6/1/2020	3,465,000	580,000
General Obligation Bonds - Series 2010	6.875% - 7.125%	12/29/2010	6/1/2040	45,000,000	45,000,000
General Obligation Refunding Bonds - Series 2016	2.00%	11/30/2016	6/1/2028	1,548,717	1,548,717
General Obligation Refunding Bonds - Series 2017	2.00% - 2.50%	4/20/2017	6/1/2028	4,145,000	4,145,000
Total Business-Type Activities Debt					$ 62,916,819
Component Unit:					
Long-Term Debt					
Public Facility Bonds, Series 2011	3.00% - 5.00%	8/23/2011	6/1/2036	$ 49,445,000	$ 48,150,000

All bonds and loans are backed by the full faith and credit of the City. The City has pledged certain revenues, including its local sales tax, premier resort tax and tourism development zone revenue, as collateral to repay its Series VII-K-1, Series 2008A, Series 2010 and Series 2012 long-term debt. Series 2008A was partially refunded in 2017 with Series 2016 and Series 2017 (see below). These debt issues were used primarily to fund public improvement projects of the City. For the year ended June 30, 2017, principal and interest payments on these debt issues were approximately 22% of the pledged revenue. Principal and interest remaining to be paid on Series 2008A, VII-K-1, Series 2010, Series 2012, Series 2016, and Series 2017 is approximately $91,855,000, of which $45,907,000 will be funded by governmental activities, based on market interest rates effective on June 30, 2017.

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

Additionally, the City has pledged future water and sewer operating revenues to repay its proprietary fund long-term debt. The debt issues of the proprietary fund, which mature through 2040, were used primarily to fund water and sewer improvement projects. For the year ended June 30, 2017, principal and interest payments on these debt issues were approximately 23% of the pledged revenue. Principal and net interest remaining to be paid on the proprietary fund debt is approximately $101,021,000, based on market interest rates effective on June 30, 2017.

Loans payable as of June 30, 2017 consist of loans payable to the Public Building Authority of Sevier County (Authority). The loan agreements provide for the Authority to issue variable rate local government improvement bonds and loan the proceeds to the City on an as needed basis for various capital projects. In connection therewith, the Authority, under these loan agreements, at the request of and on behalf of the City, has entered into an interest rate swap agreement for certain of these local government improvement bonds.

On November 30, 2016, the City issued $9,715,000 General Obligation Refunding, Series 2016, maturing on June 1, 2028, with an interest rate of 2.00%. Of the Series 2016, $8,166,283 has been allocated to governmental activities and the remaining $1,548,717 to business-type activities. The Series 2016 advance refunded certain maturities of the General Obligation Refunding Bonds, Series 2008A. The refunding proceeds were deposited with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, this portion of the Series 2008A is considered defeased and $9,715,000 of liabilities has been removed from the statement of net position. The advance refunding reduced cash flows required for future debt service to be repaid by the City by $1,655,200 over the next eleven years. The refunding resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1,528,678.

On April 20, 2017, the City issued $9,605,000 General Obligation Refunding and Improvement Bonds, Series 2017, maturing on June 1, 2028, with interest rates ranging from 2.00% to 4.00%. Of the Series 2017, $5,460,000 has been allocated to governmental activities and the remaining $4,145,000 to business-type activities. The business-type allocation of $4,145,000 advance refunded certain maturities of the General Obligation Refunding Bonds, Series 2008A. The refunding proceeds were deposited with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, this portion of the Series 2008A is considered defeased and $4,145,000 of liabilities has been removed from the statement of net position. The advance refunding reduced cash flows required for future debt service to be repaid by the City by $607,770 over the next eleven years. The refunding resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $546,566.

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

<u>Interest Rate Swap</u>

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the city, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-E-1. The Series IV-E-1 bonds have since been refunded with a portion of the proceeds of the Series VII-K-1 bonds and the interest rate swap is now associated with the Series VII-K-1.

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

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

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

Terms - Under the swap, the Authority pays the counterparty a fixed payment of 4.44% and receives a variable payment computed as 63.1% of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of $13 million. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-K-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The related swap agreement matures on June 1, 2030. As of June 30, 2017, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.44%
Variable Payment from Counterparty	% LIBOR	-1.24%
Net Interest Rate Swap Payments		3.20%
True Interest Cost		1.45%
Synthetic Interest Rate on Bonds		4.65%

The terms and rates of the outstanding swap as of June 30, 2017, were as follows.

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

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

Fair Value - As of June 30, 2017, the swap has a negative fair value. The negative fair value of the swap may be countered by reductions in total interest payments required under the underlying bond, creating lower synthetic rates. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows to their present value.

The current notional and fair value amounts of the outstanding swap as of June 30, 2017, were as follows.

	Changes in Fair Value		Fair Value at June 30, 2017		June 30, 2017 Notional
Associated Debt Issue	Classification	Amount	Classification	Amount	Amount
Business-Type Activities					
Investment Derivative:					
Loan Payable to the Public Building Authority of Sevier County - Series IV-E-1[1]	Interest and Investment Earnings	$ 812,224	Deferred Inflow of Resources	$ (2,322,196)	$ 11,435,000

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

Credit Risk - As of June 30, 2017, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated BBB by Standard and Poor's as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated Baa2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

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

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

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

Swap Payments and Associated Debt - As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain unchanged, for their terms were as shown below. As rates vary, variable-rate bond interest payments and net swap payments will vary. The following schedules do not include fees paid to administer the debt. These fees are expensed as incurred and are based on the amount of principal outstanding.

Governmental Activities:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Loans Payable to Public Building Authority Principal	Loans Payable to Public Building Authority Interest	Total Principal	Total Interest
2018	$ 4,465,523	$ 1,864,930	$ 125,000	$ 856,000	$ 4,590,523	$ 2,720,930
2019	4,642,396	1,773,426	150,000	849,750	4,792,396	2,623,176
2020	4,768,468	1,601,103	175,000	842,250	4,943,468	2,443,353
2021	2,921,521	1,429,433	1,015,000	833,500	3,936,521	2,262,933
2022	3,067,660	1,339,203	1,085,000	782,750	4,152,660	2,121,953
2023-2027	16,927,595	5,384,121	5,710,000	3,089,500	22,637,595	8,473,621
2028-2032	11,910,000	3,303,838	7,690,000	1,233,500	19,600,000	4,537,338
2033-2037	13,015,000	1,366,088	1,170,000	88,500	14,185,000	1,454,588
	$ 61,718,163	$ 18,062,142	$ 17,120,000	$ 8,575,750	$ 78,838,163	$ 26,637,892

Business-Type Activities:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Coupon Interest	General Obligation Bonds BABS Treasury Rebate	General Obligation Bonds Net Interest	Loans Payable to Public Building Authority * Principal	Loans Payable to Public Building Authority * Interest	Loans Payable to Public Building Authority * Interest Rate Swaps, Net	Total Principal	Total Net Interest	Total Interest Rate Swaps, Net
2018	$ 424,477	$ 3,362,118	$ (1,331,598)	$ 2,030,520	$ 435,000	$ 165,436	$ 366,435	$ 859,477	$ 2,195,956	$ 366,435
2019	447,604	3,332,955	(1,331,598)	2,001,357	460,000	159,143	352,495	907,604	2,160,500	352,495
2020	446,532	3,315,993	(1,331,598)	1,984,395	485,000	152,488	337,755	931,532	2,136,883	337,755
2021	513,479	3,299,052	(1,331,598)	1,967,454	765,000	145,471	322,213	1,278,479	2,112,925	322,213
2022	582,340	3,280,883	(1,331,598)	1,949,285	810,000	134,403	297,698	1,392,340	2,083,688	297,698
2023-2027	4,947,387	16,165,949	(6,657,989)	9,507,960	4,830,000	481,769	1,067,099	9,777,387	9,989,729	1,067,099
2028-2032	12,345,000	14,050,075	(5,886,948)	8,163,127	3,650,000	107,711	238,575	15,995,000	8,270,838	238,575
2033-2037	18,650,000	8,736,438	(3,664,936)	5,071,502	0	0	0	18,650,000	5,071,502	0
2038-2042	13,125,000	1,895,250	(795,057)	1,100,193	0	0	0	13,125,000	1,100,193	0
	$ 51,481,819	$ 57,438,713	$ (23,662,920)	$ 33,775,793	$ 11,435,000	$ 1,346,421	$ 2,982,270	$ 62,916,819	$ 35,122,214	$ 2,982,270

* Includes interest rate swap effective through 2030.

Component Unit Activities:

Year Ending June 30,	Public Facility Bonds Principal	Public Facility Bonds Interest
2018	$ 400,000	$ 2,283,875
2019	400,000	2,267,875
2020	450,000	2,251,875
2021	2,000,000	2,238,375
2022	2,000,000	2,146,250
2023-2027	11,600,000	9,143,750
2028-2032	14,700,000	6,117,500
2033-2036	16,600,000	2,042,500
	$ 48,150,000	$ 28,492,000

NOTE 11 - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Deferred Compensation Plan

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

The following is a schedule of contributions to the deferred compensation plan for the fiscal year ending June 30, 2017:

Total Employee Contributions	$	754,080
City's Contributions to the Plan, Net of Forfeitures		479,908
Total Contributions to the Plan, Net of Forfeitures	$	1,233,988

Employee Retirement Plan

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

Other Post-Employment Benefits

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

Plan Description

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

Funding Policies

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

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

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed in 2016 to determine the projected liabilities of the Plan as of that date as well as the employer's Annual Required Contribution (ARC). Such valuation is required to be performed every two years. ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Plan contains both active employees and retirees. The City made contributions to provide benefits to eligible retired individuals and made no additional contributions to the Plan. The components of the City's annual OPEB cost for the fiscal year, the amount contributed, and changes to the OPEB obligation for the year ended June 30, 2017 are as follows:

Annual Required Contribution	$	100,199
Interest On Net OPEB Obligation		8,724
Adjustments to Annual Required Contribution		(13,754)
Annual OPEB Cost		95,169
Contributions Made		(43,492)
Implicit Rate Subsidy		(16,093)
Increase in Net OPEB Obligation		35,584
Net OPEB Obligation - Beginning of Year		218,095
Net OPEB Obligation - End of Year	$	253,679

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 95,169	45.7%	$ 253,679
June 30, 2016	$ 95,467	45.2%	$ 218,095
June 30, 2015	$ 90,773	33.1%	$ 181,855

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The City has chosen not to establish a trust for these benefits. The City will evaluate the funding status each year and will obtain actuarial valuations of the potential liability on a bi-annual basis. The actuarial accrued liability for benefits was $1,000,490. The covered payroll (annual payroll of active employees covered by the plan) was $14,169,664, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.1%.

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

Actuarial Valuations, Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

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

See discussion of GASB Statement No. 75 in the Recent Accounting Pronouncements section of Note 2.

NOTE 12 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS

Sevier Solid Waste, Inc.

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

Sevier Solid Waste, Inc. is governed by a board of directors, which consists of one representative appointed from each governmental unit. Each director has a 25% vote. The Public Building Authority of Sevier County issued in 1995 the Solid Waste Facility Bonds, Series 1995 in the amount of $12,500,000 to finance the capital needs of Sevier Solid Waste, Inc. In 2005, the remaining balance of these Series 1995 bonds was refinanced through the Public Building Authority of Sevier County with new bonds, Series VI-E-1, with the City's pro-rata portion being 26.19%. In 1999, the Public Building of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of $2,500,000 to finance the capital needs of Sevier Solid Waste, Inc., with the City's pro-rata portion being 26.9%. During 2009, these debt issuances were refinanced with each governmental unit issuing debt for their pro-rata share of the outstanding debt. The City of Pigeon Forge issued $1,635,000 in bonds (included in Series 2009 refunding bonds) for its portion of the outstanding Sevier Solid Waste Facility Bonds (see Note 10). Each governmental unit is assessed for its share of the operational costs of Sevier Solid Waste based on a preset tipping fee multiplied by the total tonnage of solid waste taken to the facility each month by the governmental entity. For the year ended June 30, 2017, the City's portion of solid waste disposal services performed was $905,785. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 1826 Ridge Road, Pigeon Forge, Tennessee 37876.

Sevier Water Board, Inc.

In 1994, the City entered into a joint venture with the City of Gatlinburg, the City of Sevierville, and Sevier County to create the Sevier Water Board, Inc. Sevier Water Board, Inc. is a non-profit organization created under the laws of the State of Tennessee. The purpose of the joint venture is to secure future sources of raw water for the use and benefit of the participants' citizens. An inter-local cooperation agreement, dated December 14, 1994, was entered into providing for the development of facilities for the intake of raw water from Douglas Lake and transmission of the raw water to treatment facilities servicing the participants' respective distribution systems.

The City of Pigeon Forge, through an inter-local agreement with Sevier County, the City of Gatlinburg, and the City of Sevierville agreed that it was in the best interest of these cooperative governments to jointly construct and operate water intake, pumping, treatment, and transmission facilities for the use and benefit of these entities. To finance the project, an agreement was reached with the PBA of Sevier County to issue Adjustable Rate Local Government Public Improvement Bonds, Series I-A-1. Through a loan agreement between the participating governments dated June 1, 1996, the City of Pigeon Forge's percentage of ownership and liability was determined to be 44%. During 2009, the outstanding bonds were refinanced by each participating entity issuing debt for their pro-rata share of the outstanding debt. The City of Pigeon Forge issued $1,420,000 in bonds (included in Series 2009 refunding bonds) for the refinancing of the City's share of the debt. Total investment in the Sevier Water Board, Inc. by the City of Pigeon Forge as of June 30, 2017, was $6,000,522 (cost). The joint venture investment and the related debt are recorded in the Water and Sewer Fund. Financial statements of the Sevier Water Board, Inc. are available at the City of Pigeon Forge.

Gatlinburg Airport Authority, Inc.

The City of Pigeon Forge, Tennessee appropriated $100,000 to the Gatlinburg Airport Authority, Inc. (Airport) for the year ended June 30, 2017. The Cities of Gatlinburg and Pigeon Forge have equal representation of two members each on the board of the Airport. The two members representing each City are nominated by the respective City Manager, and the remaining fifth member of the board is a representative of the Sevier County industrial community chosen by consultation between the respective Cities. All members of the Airport's board of commissioners shall be considered for appointment by the City of Gatlinburg's board of commissioners and appointed by a majority vote thereof. Both Cities have agreed to make annual payments to the Airport to be used for operation, maintenance and improvements. Complete financial statements for the Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Airport's administrative office at 134 Air Museum Way, Sevierville, Tennessee 37862.

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

Sevier County Economic Development Council, Inc.

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

Pigeon Forge Housing Bureau

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

NOTE 13 - MANAGEMENT CONTRACTS

The City's sewage treatment plant is operated under a contract by Veolia Water North America (VWNA). VWNA charged $162,550 per month in 2017, subject to annual adjustment, for its management services and is responsible for all operating expenses incurred by the sewer system. All property and equipment is retained and insured by the City. At the end of each year, if VWNA has operated for less than its budgeted amount, VWNA retains 10% of the savings for its employees and returns 90% to the City of Pigeon Forge.

The City has entered into a management agreement with Ripken Pigeon Forge, LLC (RPF) to operate and manage the City's baseball sports complex. The agreement calls for an annual fixed base fee of $200,000 in 2017 and escalating thereafter. In addition to the fixed base fee, RPF is to receive an annual revenue percentage fee subject to maximum limitations. RPF is also to receive a productivity fee if certain revenue and facility utilization milestones are achieved. Personnel providing operating services at the complex are employees of RPF. These wages and payroll-related expenses are included in personnel costs in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 14 - LEASE REVENUE AND INFRASTRUCTURE DEVELOPMENT FEES

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

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

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

Fiscal Year Ended	Rent Income	Fee Income
2018	$ 62,666	$ 36,932
2019	62,666	36,932
2020	62,666	36,932
2021	15,666	36,932
2022	0	31,294
Thereafter	0	51,522
	$ 203,664	$ 230,544

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

NOTE 15 - LEASE AGREEMENT FOR LECONTE CENTER

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

Capital lease assets are included in capital assets in the accompanying statement of net position of the LeConte Center Fund and consist of the following as of June 30, 2017:

Land	$ 3,185,168
Building	51,796,102
Total LeConte Center	54,981,270
Accumulated Amortization	(4,855,886)
Net Assets Under Capital Lease	$ 50,125,384

Future minimum lease payments to the Board from the LeConte Center Fund under the capital lease agreement as of June 30, 2017:

Fiscal Year Ended	Events Center
2018	$ 2,683,875
2019	2,667,875
2020	2,701,875
2021	4,238,375
2022	4,146,250
2023-2027	20,743,750
2028-2032	20,817,500
2033-2036	18,642,500
	76,642,000
Less Portion Representing Interest	(28,492,000)
Present Value of Minimum Lease Payments Under Capital Lease	48,150,000
Less Current Maturities	(400,000)
	$ 47,750,000

The following lists the Board's components of the net investment in capital lease as of June 30, 2017:

Minimum Lease Payments Receivable	$ 76,642,000
Less Unearned Income	(28,301,677)
Net Investment in Capital Lease	$ 48,340,323

NOTE 16 - ECONOMIC DEVELOPMENT - PUBLIX SHOPPING CENTER

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

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

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

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

NOTE 17 - NONCASH CAPITAL CONTRIBUTIONS

During 2017, the City granted a noncash capital contribution to the Board in the amount of $121,567. This contribution resulted from a reduction in the balance due to the City of Pigeon Forge.

NOTE 18 - RISK MANAGEMENT

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

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

NOTE 19 - COMMITMENTS AND CONTINGENCIES

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

In April of 2006, the State of Tennessee approved the City's application for a Tourism Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. Under the TDZ plan, the City is authorized to borrow up to $179 million to develop new Qualified Public Use Facilities. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately $113 million through June 30, 2017. These borrowings will be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the State of Tennessee, included a civic events center, mass transit facility, amphitheater and festival center. Other planned TDZ projects included a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, completed the waste water treatment plant, constructed the LeConte Center, and is in the process of design and construction of a mass transit facility.

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

NOTE 20 - TAX ABATEMENT

The Board is authorized by Tennessee Code Annotated Section 7-53-305, a provision of the Tennessee Industrial Development Corporations Act, and by Ordinance of the City to negotiate payments in lieu of ad valorem taxes in furtherance of the Board's public function to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation and housing construction. As such, the Board acts as a conduit organization for property tax abatements through payment in lieu of taxes (PILOT) agreements. The abatements, which may be as much as 100% of the standard property taxes, may be granted to any qualified business relocating or developing property within the boundaries of the City. Consideration is given on a case-by-case basis and includes analysis of economic impact and capital investment.

During the fiscal year ended June 30, 2017, there was one PILOT agreement in force which commenced on January 28, 2015 with PFWV, LLC (see Note 16). PFWV, LLC will remit 0% of the standard tax applicable to property for an abatement period of 20 years. The abatement for the year ended June 30, 2017 was approximately $5,900.

This agreement does not include a provision for the recapture of abated taxes in the event the abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

NOTE 21 - SUBSEQUENT EVENT - BOARD RESOLUTION

On October 9, 2017, the Board approved a resolution to enter into a payment in lieu of tax (PILOT) agreement with a project developer to facilitate the construction of a Food City grocery store and other retail shopping in the City of Pigeon Forge. In order to encourage the development of the project for the benefit of the public, the Board would provide financial assistance by reimbursing the developer for site and infrastructure improvement costs for a total not to exceed $4,200,000 upon the developer meeting certain requirements. The Board would fund these reimbursement payments by entering into a separate capital contribution agreement with the City.

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