NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Moody's: "Aa3"

PRELIMINARY OFFICIAL STATEMENT

$8,820,000*
CITY OF SEVIERVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2020

OFFERED FOR SALE NOT SOONER THAN

Tuesday, April 28, 2020 at 10:15 A.M. E.D.T./ 9:15 A.M. C.D.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Municipal Advisor

April 16, 2020

*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 APRIL 16, 2020

NEW ISSUE Rating: Moody's: "Aa3"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

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

$8,820,000*
CITY OF SEVIERVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2020

Dated: Date of Delivery (assume May 29, 2020) Due: May 1 (as indicated below)

The $8,820,000* General Obligation Refunding Bonds, Series 2020 (the "Bonds") shall be issued by the City of Sevierville, Tennessee (the "City") 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 November 1, 2020 and thereafter on each May 1 and November 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 City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

Bonds maturing May 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2028.

Due (May 1)	Amount*	Interest Rate	Yield	CUSIPs**	Due (May 1)	Amount*	Interest Rate	Yield	CUSIPs**
2021	$ 100,000				2027	1,430,000			
2022	100,000				2028	1,425,000			
2023	100,000				2029	1,420,000			
2024	100,000				2030	1,420,000			
2025	100,000				2031	900,000			
2026	825,000				2032	900,000			

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 Lewis, Thomason, King, Krieg and Waldrop, 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 _____, 2020.

Cumberland Securities Company, Inc.
Municipal Advisor

__, 2020 *Preliminary, subject to change.

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

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

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (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 MOODY’S CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF SEVIERVILLE, TENNESSEE

BOARD OF MAYOR AND ALDERMEN

Robert Fox, *Mayor*
Devin Koester, *Vice Mayor*
Wayne Helton
Travis McCroskey
Jim McGill
Mitch Rader

CITY OFFICIALS

Russell Treadway
City Administrator

Lynn McClurg
City Recorder

M. Edward Owens, Jr., Esq.
City Attorney

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.

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APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

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 Sevierville, Tennessee (the "City", "Municipality" or "Issuer"). See APPENDIX B contained herein.
The Bonds.....................................	$8,820,000* General Obligation Refunding Bonds, Series 2020 (the "Bonds").
Security..	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
Purpose	The Bonds are being issued to finance the refunding of the Municipality's outstanding (i) General Obligation Bonds, Series 2013, dated May 30, 2013, maturing June 1, 2021 and thereafter, and (ii) the issuance costs of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after May 1, 2028, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters...................................	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS-Tax Matters" and APPENDIX A (form of opinion) included herein.
Rating..	Moody's: "Aa3". 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.
Municipal Advisor.........................	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Municipal Advisor; Related Parities; Others", herein.
Underwriter...................................	______________________________.
Book-Entry-Only...........................	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book–Entry-Only System".
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.

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

Other Information.......................... The information in the *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof for the omission of certain pricing and other information. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact Mr. Robert W. Fox, Mayor, P.O. Box 5500, Sevierville, Tennessee 37864 (865) 453-5504; or the City's Municipal 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

	2015	**2016**	**2017**	**2018**	**2019**
Beginning Fund Balance	$12,573,698	$14,109,841	$16,170,733	$18,655,638	$21,769,325
Revenues	32,604,075	35,558,181	37,918,957	38,658,552	42,033,338
Expenditures	36,792,108	31,942,425	33,993,561	35,790,147	34,162,957
Other Financing Sources:					
Transfers In (Out)	(39,607)	(2,160,822)	(1,559,511)	187,861	(7,768,809)
Issuance of Bonds	5,680,000	-	-	-	-
Bond (Proceeds, Premium, Issuance)	33,612	-	-	-	-
Proceeds from Sale of Capital Assets	50,171	605,958	119,020	57,421	30,906
In-Lieu of Tax	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	1,536,143	2,060,892	2,484,905	3,113,687	132,478
Ending Fund Balance	**$14,109,841**	**$16,170,733**	**$18,655,638**	**$21,769,325**	**$21,901,803**

Source: City of Sevierville Financial Statements with Report of Certified Public Accountants

SUMMARY NOTICE OF SALE

$8,820,000*
CITY OF SEVIERVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2020

NOTICE IS HEREBY GIVEN that the Mayor of the City of Sevierville, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.D.T./9:15 a.m. C.D.T.** on **Thursday, April 28, 2020** for the purchase of all, but not less than all, of the City's $8,820,000* General Obligation Refunding Bonds, Series 2020 (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 Municipal 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-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume May 29, 2020). The Bonds will mature on May 1 in the years 2021 through 2032, inclusive, with term bonds optional, with interest payable on May 1 and November 1 of each year, commencing November 1, 2020 and will be subject to optional redemption prior to maturity on or after May 1, 2028 at par plus accrued interest, if any. Bidders must bid not less than ninety-eight and one-half percent (98.50%) 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. Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the City will not require bidders to comply with the "hold-the-offering-price rule" for purposes of determining the issue price of the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

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 Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Further information regarding ***PARITY®*** may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF SEVIERVILLE, TENNESSEE
By: Robert W. Fox, Mayor

*Preliminary, subject to change.

DETAILED NOTICE OF SALE

$8,820,000*
CITY OF SEVIERVILLE, TENNESSEE

General Obligation Refunding Bonds, Series 2020

NOTICE IS HEREBY GIVEN that the Mayor of the City of Sevierville, Tennessee (the "City") will receive electronic or written sealed bids **10:15 a.m. E.D.T./9:15 a.m. C.D.T.** on **Thursday, April 28, 2020** for the purchase of all, but not less than all, of the City's $8,820,000* General Obligation Refunding Bonds, Series 2020 (the "Bonds"). Electronic bids must be submitted through ***PARITY®*** as described in this "Detailed Notice of Sale." In case of written bids, bids will be received by the City's Municipal 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 10:15 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 fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance, bear interest payable each May 1 and November 1, commencing November 1, 2020, be issued, or reissued upon transfer, in $5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature (subject to the right of redemption as hereinafter set forth) and be payable as follows:

YEAR (May 1)	Amount*	YEAR (May 1)	Amount*
2021	$ 100,000	2027	$ 1,430,000
2022	100,000	2028	1,425,000
2023	100,000	2029	1,420,000
2024	100,000	2030	1,420,000
2025	100,000	2031	900,000
2026	825,000	2032	900,000

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of $5,000 for the Bonds and any integral multiple of $5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by

*Preliminary, subject to change.

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 system is not required.

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

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

Purpose. The Bonds are being issued to finance (i) the refunding of the Municipality's outstanding General Obligation Bonds, Series 2013, dated May 30, 2013, maturing June 1, 2021 and thereafter, and (ii) the issuance costs of the Bonds.

Optional Redemption. The Bonds maturing on May 1, 2029, and thereafter, will be subject to optional redemption prior to maturity at the option of the City at any time on and after May 1, 2028 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-eight and one-half percent (98.50%) 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 Detailed Notice of Sale shall prevail. An electronic bid made through the facilities of ***PARITY***® shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by ***PARITY***®. The use of ***PARITY***® facilities are at the sole risk of the prospective bidders.

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

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the City's Municipal 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 Municipal 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 by facsimile to the City's Municipal 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 twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. 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. The maximum adjustment will only be made if the maximum bid (including premium) is received.

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 Municipal Advisor (wire transfer or certified check) the amount of up to 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 wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

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

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

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the City in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the City within 24 hours after award, furnish the following information to the City to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the City that the Bonds were initially offered to the public).
B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
C. Any other material information that the City determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the City will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The City expects the successful bidder to deliver copies of such Official Statement in final form (the "Final Official Statement") to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Issue Price Certificate

a. The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, on or prior to the date of issuance and delivery of the Bonds (the "Closing Date"), an "issue price" or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bass, Berry & Sims PLC ("Bond Counsel"). All actions to be taken by the City under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor and any notice or report to be provided to the City may be provided to the Municipal Advisor.

b. The City intends 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:

   1. the City shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

   2. all bidders shall have an equal opportunity to bid;

   3. the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;

   4. 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 Detailed Notice of Bond Sale; and

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

c. In the event that the Competitive Sale Requirements are not satisfied, the City shall so advise the successful bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% Test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "Hold-the-Offering-Price Rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the City if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The City shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:

   1. the close of the fifth (5th) business day after the sale date; or

   2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

   The successful bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

f. The City acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement , as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:

    1. "public" means any person other than an underwriter or a related party;

    2. "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) 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);

    3. a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

    4. "sale date" means the date that the Bonds are awarded by the City to the successful bidder.

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 if the Hold-the-Offering-Price Rule does not apply, and a form of the issue price certificate is attached to the Detailed Notice of Sale as Exhibit B if such Rule does apply.

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

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);

2. Selling compensation (aggregate total anticipated compensation to the underwriter expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);

3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and

4. Any other material information necessary to complete the *Official Statement* in final form but not known to the City.

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

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal law alternative minimum tax. 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 DTC, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

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

Official Statements; Other. The City has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the 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*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding ***PARITY***® may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF SEVIERVILLE, TENNESSEE

By: Robert W. Fox
Mayor

EXHIBIT A

CITY OF SEVIERVILLE, TENNESSEE
$_____ GENERAL OBLIGATION BONDS, SERIES 2020

ISSUE PRICE CERTIFICATE
(for Competitive Sales, to be modified if Hold the Offering Price Rule applies)

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

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 [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF 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) *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.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 28, 2020.

(d) *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 [SHORT NAME OF 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 with respect to the Bonds 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: ______________________

[NAME OF UNDERWRITER]

By: ________________________________

Name: ______________________________

Title: ______________________________

EXHIBIT B

CITY OF SEVIERVILLE, TENNESSEE
$__________ GENERAL OBLIGATION BONDS, SERIES 2020

ISSUE PRICE CERTIFICATE
(if Hold-the-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]") [and the other members of the underwriting syndicate (together, the "Underwriting Group")], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the City of Gatlinburg, Tennessee (the "Issuer").

1. ***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the [Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. ***Defined Terms***.

(a) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(b) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(c) *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.

(d) *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.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 28, 2020.

(f) *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 [SHORT NAME OF 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 with respect to the Bonds 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: ____________________

[NAME OF UNDERWRITER]

By: ______________________________

Name: ____________________________

Title: _____________________________

BID FORM

The Honorable Robert W. Fox, Mayor
120 Gary Wade Boulevard
Sevierville, Tennessee 37864

April 28, 2020

Dear Mr. Fox:

For your legally issued, properly executed $8,820,000* General Obligation Refunding Bonds, Series 2020 (the "Bonds") of City of Sevierville, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of __________________ ($___________)

The Bonds shall be dated the date of issuance (assume May 29, 2020) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on May 1 and bear interest at the following rates:

Maturity (April 1)	**Amount***	**Rate**	**Maturity (April 1)**	**Amount***	**Rate**
2021	$ 100,000	___	2027	$ 1,430,000	___
2022	100,000	___	2028	1,425,000	___
2023	100,000	___	2029	1,420,000	___
2024	100,000	___	2030	1,420,000	___
2025	100,000	___	2031	900,000	___
2026	825,000		2032	900,000	

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:
Term Bond 1: Maturities from April 1, 20_______ through April 1, 20_______ @ _______%.
Term Bond 2: Maturities from April 1, 20_______ through April 1, 20_______ @ _______%.
Term Bond 3: Maturities from April 1, 20_______ through April 1, 20_______ @ _______%.
Term Bond 4: Maturities from April 1, 20_______ through April 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 Sevierville, Tennessee, this
28th day of April, 2020.

____
Robert W. Fox, Mayor

Respectfully submitted,

____

____

Total interest cost from
May 29, 2020 to final maturity $______________________
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.

$8,820,000*
CITY OF SEVIERVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2020

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 Sevierville, Tennessee (the "City", "Municipality" or "Issuer") of its $8,820,000* General Obligation Refunding Bonds, Series 2020 (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 (the "Resolution") adopted by the Board of Mayor and Aldermen of the City (the "Board") on March 2, 2020.

The Bonds are being issued for the purpose of (i) refunding, in whole or in part, the Outstanding Bonds (as defined herein) of the County, and payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The Bonds are being issued to finance the refunding of the Municipality's outstanding (i) General Obligation Bonds, Series 2013, dated May 30, 2013, maturing June 1, 2021 and thereafter (the "Outstanding Bonds" or "Refunded Debt"), and (ii) the issuance costs of the Bonds.

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume May 29, 2020). Interest on the Bonds will be payable semi-annually on May 1 and November 1, commencing November 1, 2020. 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.

(The remainder of this page left blank intentionally.)

*Preliminary, subject to change.

SECURITY

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

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

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

OPTIONAL REDEMPTION

Bonds maturing May 1, 2029, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on May 1, 2028 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board, 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 May 1, 20__, and May 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 within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

(The remainder of this page left blank intentionally.)

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. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below. However, if the winning bidder certifies to the City that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry 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 MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

DISPOSITION OF BOND PROCEEDS

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

(a) All accrued interest, if any, shall be deposited to the appropriate fund of the City to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;

(b) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Debt until and through the redemption date to be held and applied as provided therein or transferred to Regions Bank as Trustee and Paying Agent for the Refunded Debt to be held to the earliest optional redemption date; and

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

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code") 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".

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

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

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

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

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

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, City 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.

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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.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Moody's Investors Service ("Moody's") has given the Bonds the rating of "Aa3".

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 Moody's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and 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 Moody's and any explanation of the significance of such rating should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on April 28, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 16, 2020.

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.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the "Municipal 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 Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliated or constractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advoisor 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 Municipal 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. However, the City has ongoing capital needs, that may or may not require the issuance of additional debt. The City may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

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 and the Electric System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (the "Annual Reports"), 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 Reports (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 Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year Filing History. In the past five years, the City has filed its Annual Reports on time at www.emma@msrb.org under the base CUSIP Number 818274 which is the base CUSIP Number for the City. The City has also filed on time such Annual Reports for fiscal year ending June 30, 2015 through June 30, 2017 under the CUSIP Numbers of the Bonds for which the City was an obligated person (Local Government Public Improvement Bonds, Series VII-O-1 (Sevierville), dated May 29, 2014 (the "Series VII-O Bonds")).

While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all rating changes of the bonds insured by such insurance companies were made or made in a timely manner as required by SEC Rule 15c2-2. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-17;

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-18 and B-19;

3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund (Includes Welcome Center Debt Service) as of the end of such fiscal year as shown on page B-20;

4. Information about the Bonded Debt Service Requirements –Water and Sewer Debt Service Fund as of the end of such fiscal year as shown on page B-21;

5. Information about Bonded Debt Service Requirments– Sales Tax Supported (TDZ) as of the end of such fiscal year as shown on page B-22;

6. The fund balances and retained earnings for the fiscal year as shown on page B-23;

7. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-24;

9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-30;

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-30; and

11. The ten largest taxpayers as shown on page B-31.

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.

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.

o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

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.

BONDHOLDER RISK - COVID-19

The world-wide outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread to several counties and cities in the State of Tennessee, including the Issuer and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The spread of COVID-19 has led to quarantine and other "social distancing" measures in affected regions. While effects of COVID-19 on the Issuer may be temporary, the virus has affected travel, commerce and financial markets across the world. Additionally, U.S. and global stock markets have recently experienced significant volatility and overall declines that have attributed to COVID-19 concerns.

The Issuer is unable to predict: (i) the extent or duration of the COVID-19 outbreak or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of the Issuer. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the Issuer cannot accurately predict the magnitude of the impact of COVID-19 on the Issuer and its financial condition. The Issuer is proactively taking steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential Issuer operations.

The Issuer relies in large part on the collection of tax revenues generated from commercial activities generated by tourism, such as sales taxes, hotel-motel taxes, taxes on meals and other business and tourism taxes. As long as quarantine and other "social distancing" measures remain in place, the Issuer expects that these tax revenues will be adversely impacted.

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 Sevierville, Tennessee (the "Issuer") in connection with the issuance of $__________ General Obligation Refunding Bonds, Series 2020, dated ____________, 2020 (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 Board of Mayor and Alderman 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 City.

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,

28092580.1

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Sevierville (the "City"), Tennessee is the county seat of Sevier County (the "County") which is located in the eastern portion of the State of Tennessee. 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. The City is approximately 26 miles east of Knoxville. 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.

GENERAL

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

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

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

TRANSPORTATION

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

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

The Douglas Dam is about eight miles from Sevierville and part of the Tennessee River System. The Douglas Reservoir covers about 4,000 acres in the County. Channelization of the

Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

The *Sevier County School System,* which serves all the cities in the County, is quite extensive serving its citizens with twenty-nine schools. This system had a fall 2018 combined enrollment of over 14,249 students and about 1,004 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 2018 enrollment was 6,228 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 College of Applied Technology at Morristown Sevierville Campus. The Tennessee College of Applied Technology at Morristown Sevierville (the "TCAT-MS") is part of a statewide system of 26 vocational-technical schools. The TCAT-MS 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 TCAT-MS serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The TCAT-MS main campus is located in Hamblen County. Fall 2017 enrollment was 1,223 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

Source: Tennessee College of Applied Technology at Morristown and Tennessee Higher Education Commission.

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, familycentered 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	$193,500	$151,700	$164,000	$169,100	$173,300
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	83.5%	80.1%	84.3%
% Persons with Income Below Poverty Level	12.30%	15.00%	12.6%	16.0%	23.3%
Median Household Income	$57,652	$48,708	$44,473	$35,573	$36,884

Source: U.S. Census Bureau State & County QuickFacts - 2017.

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POWER PRODUCTION

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

Source: Tennessee Valley Authority.

TOURISM

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

Source: Sevier County Economic Development Council.

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

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

The main tourist attraction in the area is the Great Smoky Mountains National Park. The National Park Service ranked the Great Smoky Mountains a top national park in visitor spending. The Smokies estimated nine million visitors spent almost double what was spent at Arizona's Grand Canyon, the next national park on the list.

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

Sevierville

Tax Structure

State Sales Tax: 7.00%
Local Option Sales Tax: 2.75%
Amusement Tax: 2.00%
Lodging Tax: 3.00%
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.

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.

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.

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.

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

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. 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. Visitors to both the Tennessee and North Carolina sides of the park during 2018 reached over 11.4 million, which was a record attendance.

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.

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.

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.

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.

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.

Source: The Knoxville Sentinel.

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.

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.

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.

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.

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

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

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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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	2,450
Collier Foods	Restaurant	900
Tanger Five Oaks Outlet	Retail	800
Wilderness at the Smokies	Hotel and Water Park	780
Charles Blalock & Sons4	Asphalt & Concrete	760
Sevier County	Government	650
LeConte Medical Center	Hospital	546
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
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
City of Gatlinburg	Government	267
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 - 2019.

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, 2018's rates ranged from 6.5% in February to 2.5% in May.

For the month of September 2019, the unemployment rate for the Sevierville mSA and Sevier County stood at 2.3% with 54,463 persons employed out of a labor force of 55,770. As of September 2019, the unemployment rate in the Knoxville-Sevierville-Harriman-LaFollette CSA stood at 2.9%, representing 545,012 persons employed out of a workforce of 561,418.

Unemployment

	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**	Annual Average **2018**
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.8%	3.5%
Sevierville mSA & Sevier County	**7.1%**	**6.0%**	**4.9%**	**4.0%**	**3.5%**
Index vs. National	115	113	100	91	97
Index vs. State	108	107	104	105	100
Knoxville-Sevierville-Harriman CSA	**6.4%**	**5.5%**	**4.6%**	**3.7%**	**3.4%**
Index vs. National	103	104	94	84	94
Index vs. State	97	98	98	97	97

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

	2013	2014	2015	2016	2017
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
Sevierville mSA & Sevier County	**$33,114**	**$34,402**	**$36,061**	**$37,074**	**$38,114**
Index vs. National	74	73	74	74	74
Index vs. State	84	84	84	84	84
Knoxville-Sevierville-Harriman CSA	**$36,786**	**$38,233**	**$39,953**	**$40,847**	**$42,102**
Index vs. National	82	81	82	82	82
Index vs. State	93	93	93	93	92

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

RECENT DEVELOPMENTS

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 invested $69.5 million to build a factory at the new Sevier County Interstate 40 Industrial Park in Sevierville, which created 117 jobs. The new facility makes engine components for Toyota and was 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.

Soaky Mountain Waterpark. Wilderness Resorts and Waterparks announced in summer of 2019 the construction of a new waterpark near the Sevierville Convention Center and Wilderness at the Smokies Resort. The new 50-acre outdoor waterpark will feature a 35,000-square-foot wave pool capable of generating waves up to t6 feet high, a winding wave river spanning an area of 24,000 square feet, and multiple water slides. The facility is expected to open May 2020.

Wilderness at the Smokies. In 2017, Wilderness at the Smokies completed a $1.3 million expansion 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.

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) rebuilt 800 lost units plus add another 100 dwelling units. Also, a new 50,000-square-foot indoor activity center that offers rope and rock climbing was built.

SkyLift Park. The SkyLift Park, which has been operating since 1954, opened in the summer of 2019 the new SkyBridge, the longest pedestrian suspension bridge in North America that also has sections of glass panels on the floor of the bridge. The SkyBridge is 700 feet long and is about 150 feet off the ground. The park features a chairlift ride, the notable SkyBridge, the SkyDeck observation area with room for concerts and weddings, and the SkyCenter with a gift shop, café and restaurant. Plans are to expand the current 23 acres of the park to almost 70 acres in the future.

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

In May of 2019 Dollywood opened the $37 million expansion called Wildwood Grove. The area was a previously undeveloped five-acre area of the park that has now been built to eleven themed attractions, with a restaurant, enclosed family roller coaster, a pendulum-style ride and an indoor play area. It was the park's largest expansion in its 33-year history.

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 and a 132-room hotel opened in 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.

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

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CITY OF SEVIERVILLE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE	FINAL MATURITY	INTEREST RATE(S)		(1) As of June 30, 2019 OUTSTANDING
$10,295,000 Local Gov. Public Imp. Bonds, Series VII-A-2	Jun 2021	Variable/Synthetic Fixed	(3) & (6)	$ 8,000,000
$24,500,000 Local Gov. Public Imp. Bonds, Series 2009B	June 2019	Synthetic Fixed	(3),(4),(7)	24,500,000
$25,000,000 Local Gov. Public Imp. Bonds, Series 2010A	June 2019	Synthetic Fixed	(3),(4),(7)	25,000,000
$26,100,000 Local Gov. Public Imp. Bonds, Series 2010B	June 2021	Synthetic Fixed	(3),(4),(7)	26,100,000
$21,700,000 Local Gov. Public Imp. (Revenue V) Bonds, Series V-D-1	June 2024	Synthetic Fixed	(2),(3),(4)	7,810,000
$5,000,000 General Obligation Bonds, Series 2011	June 2032	Fixed	(6)	5,000,000
$17,015,000 Local Gov. Public Imp. Bonds, Series VII-L-1	June 2019	Synthetic Fixed	(4)	10,745,000
$9,160,000 General Obligation Bonds, Series 2013	June 2035	Fixed		8,760,000
$10,825,000 Local Gov. Public Imp. Bonds, Series VII-M-1	June 2019	Variable	(6)	9,675,000
$25,000,000 Local Gov. Public Imp. Bonds, Series VII-N-1	June 2019	Variable	(7)	23,000,000
$16,905,000 General Obligation Refunding Bonds, Series 2015	June 2035	Fixed	(6)	14,980,000
$42,760,000 General Obligation Refunding Bonds, Series 2018	June 2028	Fixed	(7)	41,260,000
TOTAL BONDED DEBT				$ 204,830,000
General Obligation Refunding Bonds, Series 2020	June 2032	Fixed	(7)	$ 8,820,000
Less: Bonds and Loans Being Refunded	June 2032	Fixed		(8,660,000)
				204,990,000
LESS: ELECTRIC SYSTEM DEBT			(2)	(7,810,000)
NET BONDED DEBT				**$ 197,180,000**

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 Comprehensive Annual Financial Report.

(2) Payable by the revenues of the Electric System.

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

(4) The Authorities on behalf of the Borrower has entered into an interest rate swap agreement the Series A-2-E (VII-A-2), the Series II-E-1 (VII-L-1), the Series 2004 (2009B and 2010A and 2010B) and the Revenue Series II-A-1Bonds (Revenue V-D-1). For more information, see the notes to the Financial Statements in the CAFR.

(5) The City refinanced the outstanding Local Government Public Improvement (Revenue Program II) Bonds, Series II-A-1, dated March 18, 1999 and releated Loan Agreement, Revenue Series II-A-1 dated March 1, 1999 and the outstanding Local Government Public Improvement (Revenue Program IV) Bonds, Series IV-D-1, dated May 18, 2006 and releated Loan Agreement, Revenue Series IV-D-1 dated May 1, 2006 with the Local Government Public Improvement (Revenue V) Bonds, Series V-D-1 and releated Loan Agreement, Revenue Series V-D-1 on October 28, 2010.

(6) Additionally payable by the revenues of the Water and Sewer System.

(7) Additionally payable from and secured by 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)

CITY OF SEVIERVILLE, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

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

	Fiscal Years Ending June 30					After Issuance
INDEBTEDNESS	**2015**	**2016**	**2017**	**2018**	**2019**	**2019**
TAX SUPPORTED						
General Obligation Bonds & Notes (2)	$ 26,080,000	$ 25,530,000	$ 24,550,000	$ 23,515,000	$ 22,415,000	$ 22,575,000
TOTAL TAX SUPPORTED	26,080,000	25,530,000	24,550,000	23,515,000	22,415,000	22,575,000
REVENUE SUPPORTED						
Water & Sewer	$ 36,495,000	$ 34,730,000	$ 33,120,000	$ 31,570,000	$ 30,400,000	$ 30,400,000
Electric System	13,210,000	11,940,000	10,700,000	9,180,000	7,810,000	7,810,000
Golf Course	-	-	-	-	-	-
Welcome Center	6,605,000	6,080,000	5,530,000	4,950,000	4,345,000	4,345,000
Sales Tax Supported	145,905,000	145,655,000	145,405,000	142,360,000	139,860,000	139,860,000
TOTAL REVENUE SUPPORTED	$ 202,215,000	$ 198,405,000	$ 194,755,000	$ 188,060,000	$ 182,415,000	$ 182,415,000
TOTAL DEBT	$ 228,295,000	$ 223,935,000	$ 219,305,000	$ 211,575,000	$ 204,830,000	$ 204,990,000
Less: Revenue Supported Debt	(202,215,000)	(198,405,000)	(194,755,000)	(188,060,000)	(182,415,000)	(182,415,000)
Less: Debt Service Fund	-	-	-	-	-	-
NET DIRECT DEBT	$ 26,080,000	$ 25,530,000	$ 24,550,000	$ 23,515,000	$ 22,415,000	$ 22,575,000
OVERLAPPING DEBT (1)	$ 19,891,267	$ 22,374,993	$ 19,707,911	$ 19,670,563	$ 20,002,218	$ 20,002,218
NET DIRECT & OVERLAPPING DEBT	$ 45,971,267	$ 47,904,993	$ 44,257,911	$ 43,185,563	$ 42,417,218	$ 42,577,218
PROPERTY TAX BASE						
Estimated Actual Value	$ 2,320,960,721	$ 2,340,425,931	$ 2,486,427,157	$ 2,492,907,682	$ 2,866,130,212	$ 2,866,130,212
Appraised Value	2,320,960,721	2,340,425,931	2,486,427,157	2,492,907,682	2,474,043,599	2,474,043,599
Assessed Value	732,038,492	737,677,067	795,374,783	795,045,341	790,276,223	790,276,223

(1) OVERLAPPING DEBT includes the City of Sevierville's portion of Sevier County debt.

(2) Solid Waste Debt is included with the General Obligation Debt.

	Fiscal Years Ending June 30					After Issuance
DEBT RATIOS	**2015**	**2016**	**2017**	**2018**	**2019**	**2019**
TOTAL DEBT to Estimated Actual Value	9.84%	9.57%	8.82%	8.49%	7.15%	7.15%
TOTAL DEBT to Appraised Value	9.84%	9.57%	8.82%	8.49%	8.28%	8.29%
TOTAL DEBT to Assessed Value	31.19%	30.36%	27.57%	26.61%	25.92%	25.94%
NET DIRECT DEBT to Estimated Actual Value	1.12%	1.09%	0.99%	0.94%	0.78%	0.79%
NET DIRECT DEBT to Appraised Value	1.12%	1.09%	0.99%	0.94%	0.91%	0.91%
NET DIRECT DEBT to Assessed Value	3.56%	3.46%	3.09%	2.96%	2.84%	2.86%
OVERLAPPING DEBT to Estimated Actual Value	0.86%	0.96%	0.79%	0.79%	0.70%	0.70%
OVERLAPPING DEBT to Appraised value	0.86%	0.96%	0.79%	0.79%	0.81%	0.81%
OVERLAPPING DEBT to Assessed Value	2.72%	3.03%	2.48%	2.47%	2.53%	2.53%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	1.98%	2.05%	1.78%	1.73%	1.48%	1.49%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	1.98%	2.05%	1.78%	1.73%	1.71%	1.72%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	6.28%	6.49%	5.56%	5.43%	5.37%	5.39%
PER CAPITA RATIOS						
POPULATION (1)	16,490	16,665	16,716	16,716	16,716	16,716
PER CAPITA PERSONAL INCOME (2)	$36,061	$37,074	$38,114	$38,114	$38,114	$38,114
Estimated Actual Value to POPULATION	140,750	140,440	148,745	149,133	171,460	171,460
Assessed Value to POPULATION	44,393	44,265	47,582	47,562	47,277	47,277
Total Debt to POPULATION	13,844	13,437	13,119	12,657	12,254	12,263
Net Direct Debt to POPULATION	1,582	1,532	1,469	1,407	1,341	1,351
Overlapping Debt to POPULATION	1,206	1,343	1,179	1,177	1,197	1,197
Net Direct & Overlapping Debt to POPULATION	2,788	2,875	2,648	2,583	2,538	2,547
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	38.39%	36.24%	34.42%	33.21%	32.15%	32.17%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.39%	4.13%	3.85%	3.69%	3.52%	3.54%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	3.35%	3.62%	3.09%	3.09%	3.14%	3.14%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	7.73%	7.75%	6.95%	6.78%	6.66%	6.68%

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

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

CITY OF SEVIERVILLE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation
(Includes Welcome Center Debt Service)

Fiscal Year Ended June 30	Existing Debt General Obligation (1) As of June 30, 2019			Less: Bonds Being Refunded			General Obligation Bonds, Series 2020			% Principal Repaid	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest and Expenses (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest (4)	TOTAL		Principal	Interest and Expenses (2)	TOTAL	
2020	$ 1,775,000	$ 1,042,944	$ 2,817,944	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	$ 1,775,000	$ 1,042,944	$ 2,817,944	6.59%
2021	1,975,000	958,194	2,933,194	(100,000)	(255,075)	(355,075)	100,000	158,327	258,327		1,975,000	861,446	2,836,446	
2022	2,095,000	863,444	2,958,444	(110,000)	(253,075)	(363,075)	100,000	170,130	270,130		2,085,000	780,499	2,865,499	
2023	2,200,000	766,744	2,966,744	(100,000)	(250,875)	(350,875)	100,000	168,530	268,530		2,200,000	684,399	2,884,399	
2024	2,320,000	664,744	2,984,744	(100,000)	(248,375)	(348,375)	100,000	166,880	266,880	4.54%	2,320,000	583,249	2,903,249	38.47%
2025	2,440,000	556,838	2,996,838	(125,000)	(245,875)	(370,875)	100,000	165,180	265,180		2,415,000	476,143	2,891,143	
2026	1,680,000	440,713	2,120,713	(400,000)	(242,750)	(642,750)	825,000	163,430	988,430		2,105,000	361,393	2,466,393	
2027	1,630,000	390,313	2,020,313	(1,000,000)	(231,750)	(1,231,750)	1,430,000	148,580	1,578,580		2,060,000	307,143	2,367,143	
2028	1,670,000	340,413	2,010,413	(1,000,000)	(201,750)	(1,201,750)	1,425,000	122,125	1,547,125		2,095,000	260,788	2,355,788	
2029	1,735,000	289,313	2,024,313	(1,000,000)	(171,750)	(1,171,750)	1,420,000	95,050	1,515,050	63.49%	2,155,000	212,613	2,367,613	78.70%
2030	1,785,000	229,913	2,014,913	(1,000,000)	(141,750)	(1,141,750)	1,420,000	67,360	1,487,360		2,205,000	155,523	2,360,523	
2031	1,840,000	172,525	2,012,525	(1,000,000)	(111,750)	(1,111,750)	900,000	38,250	938,250		1,740,000	99,025	1,839,025	
2032	1,890,000	113,350	2,003,350	(1,000,000)	(81,750)	(1,081,750)	900,000	19,350	919,350		1,790,000	50,950	1,840,950	
2033	550,000	51,750	601,750	(550,000)	(51,750)	(601,750)	-	-	-		-	-	-	
2034	575,000	35,250	610,250	(575,000)	(35,250)	(610,250)	-	-	-	100.00%	-	-	-	100.00%
2035	600,000	18,000	618,000	(600,000)	(18,000)	(618,000)	-	-	-	100.00%	-	-	-	100.00%
	$26,760,000	**$ 6,934,444**	**$33,694,444**	**$(8,660,000)**	**$(2,541,525)**	**$(11,201,525)**	**$8,820,000**	**$1,483,192**	**$10,303,192**		**$26,920,000**	**$ 5,876,111**	**$32,796,111**	

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

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

(3) Estimated interest rate of 2.03%.

CITY OF SEVIERVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water And Sewer System

As of June 30, 2019

Fiscal Year Ended June 30	Total Bonded Debt Service Requirements (1)			% Principal
	Principal	Interest and Expenses (2)	TOTAL	Repaid
2020	$ 800,000	$ 1,201,388	$ 2,001,388	2.63%
2021	825,000	1,163,888	1,988,888	
2022	825,000	1,125,138	1,950,138	
2023	850,000	1,103,638	1,953,638	
2024	900,000	1,081,638	1,981,638	13.82%
2025	1,675,000	1,055,388	2,730,388	
2026	2,140,000	995,950	3,135,950	
2027	2,200,000	926,750	3,126,750	
2028	2,265,000	855,750	3,120,750	
2029	2,390,000	789,363	3,179,363	48.91%
2030	2,490,000	702,388	3,192,388	
2031	2,585,000	596,806	3,181,806	
2032	2,655,000	486,950	3,141,950	
2033	2,500,000	371,531	2,871,531	
2034	2,600,000	259,719	2,859,719	91.12%
2035	2,700,000	142,656	2,842,656	100.00%
	$ 30,400,000	**$ 12,858,938**	**$ 43,258,938**	

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 SEVIERVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Sales Tax Supported

As of June 30, 2019

Fiscal Year Ended June 30	Total Bonded Debt Service Requirements (1)			% Principal
	Principal	Interest and Expenses (2)	TOTAL	Repaid
2020	$ 5,725,000	$ 6,431,500	$ 12,156,500	4.09%
2021	6,075,000	6,165,250	12,240,250	
2022	7,085,000	5,885,000	12,970,000	
2023	7,410,000	5,555,250	12,965,250	
2024	7,755,000	5,210,250	12,965,250	24.35%
2025	8,120,000	4,849,000	12,969,000	
2026	8,445,000	4,524,200	12,969,200	
2027	8,725,000	4,240,850	12,965,850	
2028	9,020,000	3,947,600	12,967,600	
2029	10,500,000	3,575,000	14,075,000	56.38%
2030	11,000,000	3,050,000	14,050,000	
2031	11,625,000	2,500,000	14,125,000	
2032	12,175,000	1,918,750	14,093,750	
2033	12,775,000	1,310,000	14,085,000	
2034	13,425,000	671,250	14,096,250	100.00%
	$ 139,860,000	**$ 59,833,900**	**$ 199,693,900**	

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.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All 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 except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	For the Fiscal year Ended June 30,				
Fund Type	**2015**	**2016**	**2017**	**2018**	**2019**
Governmental Funds:					
General	$14,109,841	$16,170,733	$18,655,638	$21,769,325	$21,901,803
Central Business District	14,461,098	9,037,010	10,320,802	12,140,885	15,779,279
Other Governmental	2,661,485	11,326,391	11,429,570	10,838,129	10,196,032
TOTAL	**$31,232,424**	**$36,534,134**	**$40,406,010**	**$44,748,339**	**$47,877,114**
Enterprise Net Assets:					
Water & Sewer	$ 44,379,397	$ 46,891,637	$ 48,387,822	$ 52,378,191	$ 57,499,143
Electric	134,257,347	139,846,645	135,498,802	138,812,707	140,587,640
TOTAL	**$178,636,744**	**$186,738,282**	**$183,886,624**	**$191,190,898**	**$198,086,783**

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

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CITY OF SEVIERVILLE, TENNESSEE

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

	2015	2016	2017	2018	2019
Revenues:					
Taxes	$ 25,467,166	$ 27,558,763	$ 29,938,797	$ 30,448,616	$ 32,619,453
Licenses, Permits, Fines	172,375	186,482	175,562	189,947	297,436
Intergovernmental Rev.	2,142,545	2,252,243	2,122,597	2,254,310	2,374,260
Charges for Services	4,292,437	5,100,681	5,098,244	5,234,429	5,779,146
Fines, Forfeits and Penalties	372,405	307,395	250,737	275,766	236,380
Other Revenue	157,147	152,617	333,020	255,484	726,663
Total Revenues	$ 32,604,075	$ 35,558,181	$ 37,918,957	$ 38,658,552	$ 42,033,338
Expenditures:					
General government	$ 9,614,506	$ 10,093,674	$ 10,513,480	$ 11,103,072	$ 10,464,633
Public Safety	9,515,091	9,787,759	9,998,537	11,131,237	10,458,051
Public Works	4,005,148	4,187,200	4,773,398	5,054,535	4,491,543
Recreation	4,471,430	4,900,337	5,129,184	5,284,064	4,939,468
Contingency Reserve	53,607	72,441	-	-	-
Debt Service	8,608,032	2,253,088	2,692,053	2,735,481	2,828,272
Capital Outlay	524,294	647,926	886,909	481,758	980,990
Total Expenditures	$ 36,792,108	$ 31,942,425	$ 33,993,561	$ 35,790,147	$ 34,162,957
Excess of Revenues Over (Under) Expenditures	$ (4,188,033)	$ 3,615,756	$ 3,925,396	$ 2,868,405	$ 7,870,381
Other Financing Sources/(Uses):					
Transfers In/(Out)	$ (39,607)	$ (2,160,822)	$ (1,559,511)	$ 187,861	$ (7,768,809)
Payment for Refunded Bonds	-	-	-	-	-
Contribution to component unit	-	-	-	-	-
Issuance of Bonds	5,680,000	-	-	-	-
Bond (Proceeds, premium, issuance)	33,612	-	-	-	-
Proceeds from sale of capital assets	50,171	605,958	119,020	57,421	30,906
In-lieu of Tax	-	-	-	-	-
Total	$ 5,724,176	$ (1,554,864)	$ (1,440,491)	$ 245,282	$ (7,737,903)
Excess of Revenues Over (Under) Expenditures & Other Uses	$ 1,536,143	$ 2,060,892	$ 2,484,905	$ 3,113,687	$ 132,478
Fund Balance July 1	$ 12,573,698	$ 14,109,841	$ 16,170,733	$ 18,655,638	$ 21,769,325
Residual Equity Transfer	-	-	-	-	-
Adjustments	-	-	-	-	-
Fund Balance June 30	**$ 14,109,841**	**$ 16,170,733**	**$ 18,655,638**	**$ 21,769,325**	**$ 21,901,803**

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Recorder. 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 County and City reflected a ratio of appraised value to true market value of 0.8632. The following table shows pertinent data for tax year 2018[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 6,027,395	55%	$13,761,024
Commercial and Industrial	429,770,820	40%	1,244,743,834
Personal Tangible Property	41,758,083	30%	158,506,119
Residential and Farm	312,719,925	25%	1,449,119,235
Total	**$790,276,223**		**$2,866,130,212**

The estimated assessed value of property in the City for the fiscal year ending June 30, 2019 (tax year 2018) is $790,276,223 compared to $795,045,341 for the fiscal year ending June 30, 2018 (tax year 2017). The estimated actual value of all taxable property for tax year 2018 is $2,866,130,212 as compared to $2,492,907,682 for tax year 2017.

[1] The tax year concides with the calendar year, therefore, tax year 2018 is actually fiscal year 2018-2019.
Source: 2018 Tax Aggregate Report for Tennessee and the City.

Property Tax Rates and Collections. The table on the following page shows the property tax rates and collections of the City for tax years 2015 through 2019 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2019.

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, 2019 Amount**	**Pct**
2015	$737,677,067	$0.31	$2,287,013	$2,203,856	96.4%	N/A	
2016	795,374,783	0.497	3,902,705	3,794,184	97.2%	N/A	
2017	795,045,341	0.497	3,946,385	3,852,251	97.6%	N/A	
2018	791,036,373	0.497	3,933,224	3,828,004	97.3%	$105,220	2.7%
2019	808,822,808*	0.497	4,019,849*	**IN PROGRESS**			

* Estimated figures
[2] The tax year concides with the calendar year, therefore, tax year 2019 is actually fiscal year 2019-2020.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2019 (tax year 2018), the ten largest taxpayers in the City were as follows:

	Taxpayer Business Type	Business Type	Assessment	Percentage of Total Assessment
1.	Wyndham / Fairfield Resorts	Real Estate	$41,610,133	5.43%
2.	Five Oaks Development Group	Real Estate	40,996,875	5.35%
3.	Wilderness Tenn Venture	Real Estate	20,642,053	2.70%
4.	M & S Properties	Real Estate	9,974,385	1.30%
5.	Ogle, Ronald & Betty	Real Estate	8,890,875	1.16%
6.	Miller Land Properties	Real Estate	8,358,715	1.09%
7.	BS&J Enterprises	Real Estate	8,307,444	1.08%
8.	Charles Blalock & Sons	Construction	7,611,853	0.99%
9.	Swaggerty's	Retail	6,809,914	0.89%
10.	Bass Pro Station LLC	Retail	6,487,052	0.85%
	Total		**$159,689,299**	**20.84%**

LOCAL OPTION SALES TAX

Pursuant to applicable provisions 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 is limited under state law to two and three-fourths percent (2 3/4%).

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 percent) 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 2015	FY 2016	FY 2017	FY 2018	FY 2019
$15,402,289	$16,866,956	$17,125,931	$17,393,342	$18,331,902

Source: City of Sevierville Department of Finance.

PENSION PLANS

Certain employees of the City are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 10 years of service or any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system on or after July 1, 1979, were vested after 4 years of service. Benefit provisions are established and amended by state statute. Current employees are vested after ten (10) years of service.

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 herein.

INSURANCE

The City participates in the Tennessee Municipal League's Insurance Pool program for workmen's compensation insurance. This program has been established pursuant of Section 12-9-104(f), Tennessee Code Annotated. The City is required to pay into the program according to a formula which will be adjusted each year based upon the loss record of the City.

The City is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City purchases various commercial insurance policies to cover potential claim settlements and judgments. The City reports its risk management activities within the General and Special Revenue Funds. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount can be reasonable estimated.

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF SEVIERVILLE, TENNESSEE

CITY OF SEVIERVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

Prepared by:
Finance Department

CITY OF SEVIERVILLE, TENNESSEE

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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INTRODUCTORY SECTION

City of Sevierville

December 27, 2019

To the Honorable Mayor, Aldermen and
Citizens of the City of Sevierville, Tennessee:

Tennessee state law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This comprehensive annual financial report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brown Jake and McDaniel, PC has issued unmodified opinions on these financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of Sevierville, Tennessee (government), founded in 1795 and incorporated in 1901, is located in the eastern part of the state, an area known as a tourist destination because of the government's proximity to the Great Smoky Mountains National Park. It currently occupies 19.9 square miles and serves a residential population of over 16,500. The government is empowered to assess and levy a tax on all property within the government not exempt by general law upon the same principles established in regard to state and county taxation. Assessments made by the Sevier County, Tennessee Tax Assessor are adopted by the government. It also is empowered by state statute to extend its corporate limits by annexation under certain criteria, which it has done from time to time.

The government is a municipal corporation governed by a Home Rule Charter form of government. Policy-making and legislative authority are vested in the Board of Mayor and Aldermen (Board) consisting of the mayor and five other members, all of whom are elected at large. Board members serve staggered four-year terms, with members elected every two years. The mayor is elected for a two-year term. The Board appoints the government's City Administrator and City Recorder.

The government provides a full range of services, including police and fire protection, highways and streets, traffic control, building inspection, sanitation and solid waste, recreational activities, a convention center, utility services and general administrative services. This report includes business-type activities of the government regarding providing electric, water and sewer services to the government and the surrounding area or in the case of electric services the entire area of Sevier County, Tennessee. The government also is financially accountable for a legally separate

Public Building Authority (PBA), which is blended within the government's financial statements. The PBA is the government's only component unit and is governed by an appointed board.

The Board is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the government's financial planning and control. The budget is prepared by fund and department (e.g., police). Department heads may transfer resources within a department with City Administrator approval. Transfers between departments require approval from the Board by ordinance.

Local economy

The government is considered part of a micropolitan area. Sevierville is ideally located at the base of the Great Smoky Mountains National Park, America's most visited national park, and adjacent to internationally-known cities Gatlinburg and Pigeon Forge. Some of the top vacation activities nationwide, including Dollywood, are located either within a few minutes from downtown Sevierville or within our corporate limits. This combination helps the government draw millions of visitors each year, and we project that tourism growth will continue. The Sevier County school district also has a significant economic presence, employing in total more than 2,400 professional, paraprofessional and auxiliary staff members. The Sevier County School System serves over 14,500 students in pre-kindergarten through twelfth grade with twenty-nine schools in the system.

During the past ten years, the Sevier County unemployment rate fell from an annual rate of 10.8 percent (2009) to an annual rate of 3.5% (2019). Sevier County's unemployment rate as of June 2019 was 3.1 percent compared to 3.8 percent nationally and 4.0 percent for the state of Tennessee. The unemployment rate during the current year reflects a strong local economy of year-round employment instead of seasonal employment.

According to the latest census of year 2010, Sevier County's median family income was $43,605; mean family income was $57,641; average family size was 2.93; and median population age was 40.9. The median price of a single-family home in the vicinity of the government was $183,000 with an average household size of 2.52 persons.

Due to its strong reserves and healthy local economy, the government has maintained a credit rating of Aa3 from Moody's Investor Service and has obtained an A+ rating from Standard and Poor's.

Steady growth and development have positively impacted revenue. Growing hand in hand with Sevierville's tourism economy, new service facilities such as LeConte Medical Center and the Sevier County Campus of East Tennessee State University have enhanced the government's ability to meet the needs of its residential population. The groundbreaking of new developments and ten years of events with tremendous economic impact at the Sevierville Convention Center have given visitors new reasons to come to Sevierville. While Sevierville continues to expand its tourist appeal through new attractions and destinations, the government's leadership, both state and local, continues to focus heavily on infrastructure improvements. Improvements to the I-40 exit 407 interchange and Highway 66, which serves as the main access route for our area, have significantly eased congestion. A new main fire station opened in 2019 and a new downtown fire substation will break ground in 2020. Construction will begin on a wastewater treatment plant expansion and is underway for downtown streetscape improvements.

Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) in the general fund at year end was 61 percent of fiscal year 2019 general fund budgeted expenditures. This amount significantly exceeds the policy guidelines set by the Board for budgetary and planning purposes (25 percent of general fund budgeted expenditures). The general fund balance increased by $132,478 during the year ended June 30, 2019. In the event that the balance drops below the established minimum level, the Board will develop a plan to replenish the fund balance to the minimum level within two years. Although the minimum is 25 percent, the government has far exceeded this percentage to fund construction of a fire substation currently in design and to maintain its ability to react to potential economic fluctuations. The government has implemented a plan to set aside 1.5 percent of annual budgeted revenue to strengthen reserves.

By policy, the government maintains a five-year Capital Improvement Program which serves as its planning document to ensure that facilities, equipment and infrastructure are well maintained. Under the guidance of the Board, this process gives the government the ability to plan for its capital needs and allocate short- and long-term resources appropriately. As part of its process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the Fleet department monitors the condition of all government vehicles and makes recommendations on their replacement. The fiscal year 2020 Capital Improvement Program anticipates $12,676,000 in general government expenditures, $645,000 in the Solid Waste fund and $30,500,000 in the water and sewer fund. Included in these appropriations are $4,600,000 for a downtown fire substation and $4,176,000 for traffic and road improvements. The $22,000,000 sewer treatment plant expansion is currently in the engineering phase with construction commencing in 2020.

Relevant financial policies

The government has adopted a comprehensive set of financial policies, including a policy that requires the adoption of a balanced annual operating budget (estimated revenues and available resources equal to or in excess of appropriations). The government has a fund balance policy to ensure its ability to meet its obligations through all economic conditions.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration departments. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and Aldermen for their unfailing support for maintaining the highest standards of professionalism in the management of the government's finances.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Sevierville for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

City of Sevierville, Tennessee

Lynn K. McClurg
City Recorder/Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sevierville

Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

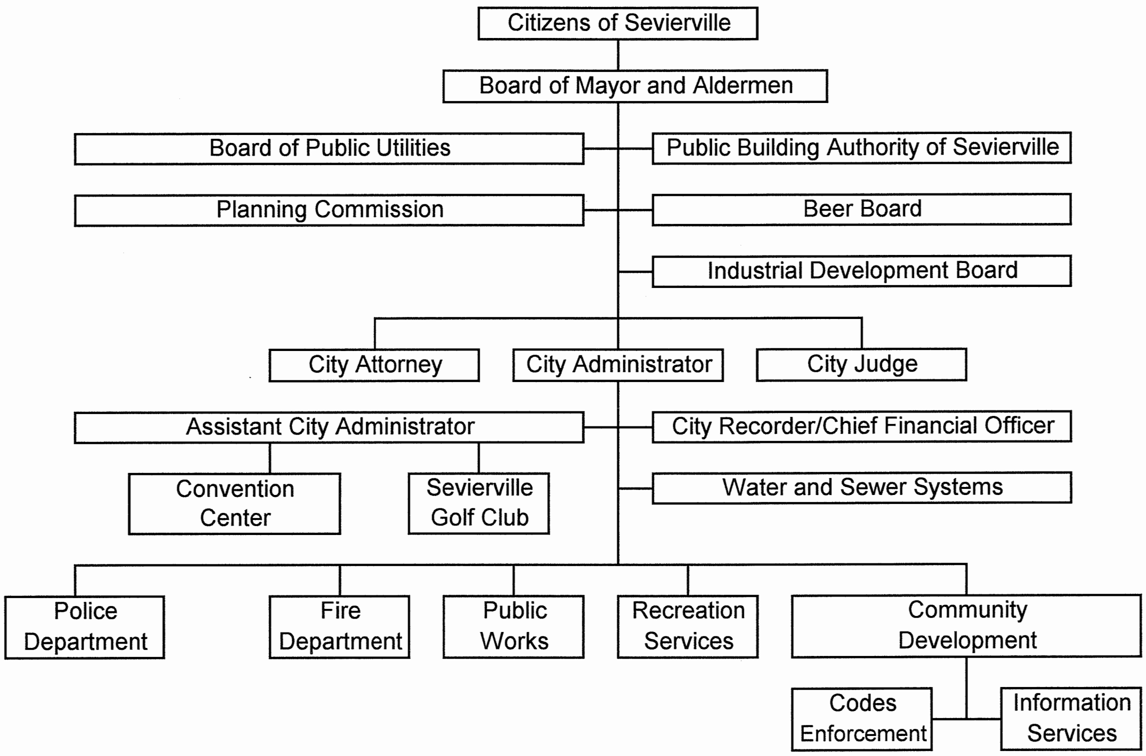
June 30, 2018

Christopher P. Morrill

Executive Director/CEO

CITY OF SEVIERVILLE, TENNESSEE

Organizational Chart and List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2019



Board of Mayor and Aldermen (Elected)

Mayor	- Bryan C. Atchley (deceased 12/9/18)	Alderman	- Devin Koester (Vice Mayor 5/2/19)
Vice-Mayor	- Robert Fox (Mayor beginning 5/2/19)	Alderman	- Travis McCroskey
Alderman	- Wayne Helton	Alderman	- Jim McGill
		Alderman	- Mitch Rader (beginning 6/17/19)

City Officials (Appointed)

City Administrator	Russell Treadway
Assistant City Administrator	Tracy Baker
City Recorder/Chief Financial Officer	Lynn McClurg (financial oversight responsibility)
City Judge	Lanning Wynn
City Attorney	Edward Owens
Interim Development Director	Dustin Smith
Police Chief	Joseph Manning
Fire Chief	Matt Henderson
Public Works Director	Bryon Fortner
Parks and Recreation Director	Bob Parker
Water and Sewer Systems Director	Stephen Flynn
Electric System General Manager	Allen Robbins

FINANCIAL SECTION

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Mayor and Board of Alderman
City of Sevierville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sevierville, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Sevierville, Tennessee'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

☐ ☐ ☐

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the Central Business Improvement District Fund of the City of Sevierville, Tennessee as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 9 through 15 and the required supplementary information on pages 78 through 84 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 Sevierville, Tennessee's basic financial statements. The introductory section, other supplementary information in the financial section, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in the financial section 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 other supplementary information in the financial section and schedule of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 27, 2019, on our consideration of the City of Sevierville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financing reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Sevierville's 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 City of Sevierville, Tennessee's internal control over financial reporting and compliance.

Brown Jake & McDaniel, PC

Knoxville, Tennessee
December 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sevierville, Tennessee (the government), we offer readers of the government's financial statements this narrative overview and analysis of the financial activities of the government for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 3 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $258,892,397 (*net position*). Of this amount, $51,726,132 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased $17,122,320 from ongoing operations.
- At the close of the current fiscal year, the government's governmental funds reported combined fund balances of $47,877,114, an increase of $3,128,775 in comparison with the prior year. Approximately 36% of this amount ($17,074,555) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the nonspendable, assigned, and unassigned components of fund balance) for the general fund was $21,901,803, or approximately 61% of total fiscal year 2019 budgeted general fund expenditures.
- The government's total general obligation bonded debt decreased by $6,745,000 during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the government's basic financial statements. The government's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the government's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the government's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the government 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 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 government 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*). Governmental activities include general government, public safety, public works, recreation, community development, and debt administration. The business-type activities of the government include a water and sewer system and an electric system.

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 government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the government can be divided into two categories: governmental funds 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 assessing 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The government maintains five individual governmental funds and one blended component unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the central business improvement district fund, which are considered to be major funds. Data from the other three governmental funds and blended component unit 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 in the combining fund financial statements section of this report.

The government adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the government's major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 - 22 and the budgetary comparison statements can be found on pages 23 - 29 of this report.

Proprietary Funds. The government maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The government uses enterprises funds to account for its water and sewer system and its electric system. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the government's various functions. The government uses internal service funds to account for the management of its retained risks. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental 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 separate information for the Water and Sewer Department Fund and for the Electric Department Fund, both of which are considered to be major funds of the government. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining fund financial statements section of this report.

The basic proprietary fund financial statements can be found on pages 30 - 33 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire 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 34 - 77 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the government's net pension and OPEB assets and liabilities. Required supplementary information can be found on pages 78 - 84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, along with additional other supplementary information, are presented immediately following the required supplementary information. This information can be found on pages 85 - 111 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $258,892,397, at the close of the most recent fiscal year.

City of Sevierville's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 71,813,369	$ 66,553,654	$ 77,559,594	$ 74,243,226	$ 149,372,963	$ 140,796,880
Capital assets	178,908,936	174,408,317	212,970,605	211,427,394	391,879,541	385,835,711
Total assets	250,722,305	240,961,971	290,530,199	285,670,620	541,252,504	526,632,591
Total deferred outflows of resources	3,916,186	4,221,785	11,318,961	8,601,088	15,235,147	12,822,873
Long-term liabilities	176,662,524	181,934,996	63,557,245	65,474,509	240,219,769	247,409,505
Other liabilities	11,272,830	7,162,001	37,117,817	35,337,240	48,390,647	42,499,241
Total liabilities	187,935,354	189,096,997	100,675,062	100,811,749	288,610,416	289,908,746
Total deferred inflows of resources	5,897,523	5,507,580	3,087,315	2,269,061	8,984,838	7,776,641
Net investment in capital assets	9,467,692	455,082	174,530,139	170,399,167	183,997,831	170,854,249
Restricted	20,488,076	15,639,518	2,680,358	2,532,661	23,168,434	18,172,179
Unrestricted	30,849,846	34,484,579	20,876,286	18,259,070	51,726,132	52,743,649
Total net position	$ 60,805,614	$ 50,579,179	$ 198,086,783	$ 191,190,898	$ 258,892,397	$ 241,770,077

By far, the largest portion of the government's net position (71.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related net carrying value of outstanding debt that was used to acquire those assets. The government uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the government's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the government's net position (8.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $51,726,132 (20.0%) is unrestricted.

The government's overall net position increased $17,122,320 from the prior fiscal year. The reasons for this current year increase in net position are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased $10,226,435 from the prior fiscal year for an ending net position balance of $60,805,614. Affecting this result, sales taxes showed a slight growth rate of 1.58 percent, increasing by $427,634. Privilege taxes increased $1,145,148 or 19.5 percent due largely to a 1% increase in the lodging tax. The City realized a loss on investment derivatives (interest rate swaps) of $2,278,442, received capital grants and contributions of $627,041, and experienced an increase in charges for services of $628,057 (9.8%) over the previous year. Operating budget reductions to allow for an increase in the TDZ debt service reserve also contributed to the increase in fund balance and net position.

City of Sevierville's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 7,030,359	$ 6,402,302	$ 172,057,249	$ 169,862,830	$ 179,087,608	$ 176,265,132
Operating grants and contributions	219,467	222,880	-	-	219,467	222,880
Capital grants and contributions	627,041	582,516	-	-	627,041	582,516
General revenues:						
Sales taxes	27,422,992	26,995,358	-	-	27,422,992	26,995,358
Other taxes	14,952,997	13,656,381	-	-	14,952,997	13,656,381
Other revenues	1,042,037	321,193	607,914	191,613	1,649,951	512,806
Gain on investment derivatives	-	1,655,570	-	-	-	1,655,570
Gain on disposal of capital assets	23,300	5,756	2,505	-	25,805	5,756
Total revenues	51,318,193	49,841,956	172,667,668	170,054,443	223,985,861	219,896,399
Expenses:						
General government	11,488,551	11,744,534	-	-	11,488,551	11,744,534
Public safety	10,810,544	10,336,045	-	-	10,810,544	10,336,045
Public works	5,861,516	6,879,966	-	-	5,861,516	6,879,966
Recreation	5,599,707	5,915,689	-	-	5,599,707	5,915,689
Community development	216,120	216,119	-	-	216,120	216,119
Interest on long-term debt	6,493,036	5,453,091	-	-	6,493,036	5,453,091
Debt administration - other	409,631	747,087	-	-	409,631	747,087
Water and Sewer Department	-	-	12,090,836	12,057,367	12,090,836	12,057,367
Electric Department	-	-	151,615,158	149,074,486	151,615,158	149,074,486
Loss on investment derivatives	2,278,442	-	-	-	2,278,442	-
Total expenses	43,157,547	41,292,531	163,705,994	161,131,853	206,863,541	202,424,384
Excess of revenues over expenses	8,160,646	8,549,425	8,961,674	8,922,590	17,122,320	17,472,015
Transfers - in lieu of tax payment	2,065,789	1,618,316	(2,065,789)	(1,618,316)		
Total other items	2,065,789	1,618,316	(2,065,789)	(1,618,316)	-	-
Change in net position	10,226,435	10,167,741	6,895,885	7,304,274	17,122,320	17,472,015
Net position - beginning as previously stated	50,579,179	40,411,438	191,190,898	187,130,156	241,770,077	227,541,594
Cumulative effect of change in accounting principle	-	-	-	(3,243,532)	-	(3,243,532)
Net position - beginning, as restated	50,579,179	40,411,438	191,190,898	183,886,624	241,770,077	224,298,062
Net position - ending	$ 60,805,614	$ 50,579,179	$ 198,086,783	$ 191,190,898	$ 258,892,397	$ 241,770,077

Business-Type Activities. For the government's business-type activities, the results for the current fiscal year were positive in that change in net position increased by $6,895,885 from ongoing operations for an overall net position of $198,086,783. The total net position for business-type activities increased 3.6% from the prior fiscal year. Recent water and sewer rate increases strengthened reserves in preparation for a $22 million wastewater treatment plant expansion currently in the engineering phase as the System's net position increased nearly $5.1 million. Electric System operating income at fiscal year-end was $4.6 million in fiscal year 2019 vs. $6.5 million in fiscal year 2018. Conservative spending resulted in an Electric System overall net position increase of $1.7 million.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the government itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the government's Board of Mayor and Aldermen.

At June 30, 2019, the government's governmental funds reported combined fund balances of $47,877,114, an increase of $3,128,775 in comparison with the prior year. Approximately 35.7% of this amount ($17,074,555) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is 1) nonspendable inventory and prepaids - $92,019, 2) restricted for particular purposes - $16,508,945, or 3) assigned for particular purposes - $14,201,595.

The general fund is the chief operating fund of the government. At the end of the current fiscal year, unassigned fund balance of the general fund was $17,074,555, while total fund balance increased to $21,901,803. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 47.5% of total fiscal year 2019 budgeted general fund expenditures, while total fund balance represents approximately 60.9% of that same amount.

The fund balance of the government's general fund increased by $132,478 during the current fiscal year. The increase is due largely to an increase in local tax revenue, an increase in charges for services, and conservative spending.

The Central Business Improvement District Fund, a major fund, had a $3,638,394 increase in fund balance during the current fiscal year which put the overall fund balance at $15,779,279. The fund reports restricted fund balance of $15,779,279, the entirety of which is restricted for debt service of long-term debt issued (and being repaid) by the Fund. The increase in fund balance is primarily due to a subsidy transfer from the general fund to strengthen debt service reserves.

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

Unrestricted net position of the water and sewer department fund at the end of the year was $14,643,312 and for the electric department fund was $6,232,974. The water and sewer department fund had an increase in net position of $5,120,952 and the electric department fund had an increase in net position of $1,774,933. The increase from operations for the water and sewer department fund results from a prior year rate increase pending a wastewater treatment plant expansion currently in the engineering phase. The increase in electric department net position is attributable primarily to conservative spending.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need for a significant amendment to account for an interfund transfer and an increase in solid waste expenditures. This amendment primarily related to a transfer of assigned general fund reserves to the capital projects fund for the main fire station construction project.

Capital Assets and Debt Administration

Capital assets. The government's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to $391,879,541 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, water and wastewater treatment plants and electric distribution system. The total increase in capital assets for the current fiscal year was approximately 1.6%.

City of Sevierville's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 55,374,018	$ 55,524,018	$ 7,846,744	$ 7,846,744	$ 63,220,762	$ 63,370,762
Construction work in progress	3,060,286	2,674,163	5,364,331	4,643,932	8,424,617	7,318,095
Buildings	103,273,435	96,812,579	-	-	103,273,435	96,812,579
Infrastructure	54,122,298	53,948,552	-	-	54,122,298	53,948,552
Machinery, equipment, and vehicles	19,908,136	18,883,730	21,146,259	19,404,754	41,054,395	38,288,484
Water and sewer utility plant	-	-	111,142,614	110,165,403	111,142,614	110,165,403
Electric utility plant	-	-	220,395,781	213,577,666	220,395,781	213,577,666
Plant acquisition adjustments, net of amortization	-	-	-	10,088	-	10,088
Total capital assets	235,738,173	227,843,042	365,895,729	355,648,587	601,633,902	583,491,629
Less: accumulated depreciation	56,829,237	53,434,725	152,925,124	144,221,193	209,754,361	197,655,918
Net capital assets	$ 178,908,936	$ 174,408,317	$ 212,970,605	$ 211,427,394	$ 391,879,541	$ 385,835,711

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

- Various projects related to the electric department at a cost of $9,856,680 for the electric distribution system.
- The purchase of various machinery and equipment in governmental funds at a cost of $551,343.
- The purchase of various transportation equipment and vehicles in governmental funds at a cost of $706,532.
- The costs related to the construction of a new fire hall totaling $4,781,876.

Additional information on the government's capital assets can be found in Note 3 on pages 45 - 46 of this report.

Long-term debt. At the end of the current fiscal year, the government had a total bonded debt outstanding of $204,830,000. All of this amount is debt backed by the full faith and credit of the government.

The government's total debt decreased by $6,745,000 (3.2 %) during the current year.

The government's "A+" rating from Standard & Poor's and Fitch Ratings and "Aa3" from Moody's Investors Service for general obligation debt remained unchanged.

Additional information on the government's long-term debt can be found in Note 4 on pages 47 - 48 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the government and were considered in developing the 2019-2020 fiscal year budget.

- The unemployment rate for Sevier County as of June 2019 is 3.1%, which is a decrease from one year ago, and is lower than state and federal rates.
- The low-income and workforce housing market is seeing significant growth and investment, following the 2016 wildfires and to support the tourism industry.
- The government's sales tax revenue has maintained a moderate growth rate over the last five years, and it is anticipated to continue.
- The government increased the property tax rate for tax year 2016 from $0.31 to $0.497 per $100 of assessed value to fund construction of a recently completed main fire station and to fund construction and operations of an additional substation currently in the engineering stage.
- The government implemented a 1% lodging tax increase in fiscal year 2019 (from 2% to 3%) with incremental revenue directed toward the CBID debt service fund.
- Following the final phase of a three-year rate change plan, the water and sewer department anticipates beginning a $22 million wastewater treatment expansion in 2020.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the government's finances and to show the government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lynn K. McClurg, City Recorder/Chief Financial Officer, at City of Sevierville, P.O. Box 5500, Sevierville, TN 37864.

BASIC FINANCIAL STATEMENTS

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 21,418,207	$ 33,862,110	$ 55,280,317
Investments	11,912,110	14,390,782	26,302,892
Receivables:			
Property taxes, net of allowance of $109,796	30,586	-	30,586
Customers, net of allowance of $4,181 and $563,518, respectively	356,829	8,673,761	9,030,590
Other, including current maturities of notes receivable from customers of $444,444	1,388,594	1,100,381	2,488,975
Unbilled revenue	4,132,801	8,134,897	12,267,698
Due from other governments	4,116,027	-	4,116,027
Materials and supplies inventory	92,019	2,993,209	3,085,228
Restricted assets:			
Cash and cash equivalents	2,771,061	220,930	2,991,991
Investments	13,758,381	2,250,000	16,008,381
Due from other governments	7,857,623	-	7,857,623
Total current assets	67,834,238	71,626,070	139,460,308
Non-current assets:			
Capital assets, not being depreciated:			
Land and improvements	55,374,018	7,846,744	63,220,762
Construction work in progress	3,060,286	5,364,331	8,424,617
Capital assets, being depreciated:			
Buildings and improvements	103,273,436	-	103,273,436
Infrastructure	54,122,298	-	54,122,298
Machinery and equipment	19,908,135	21,146,259	41,054,394
Utility plant	-	331,538,395	331,538,395
Less accumulated depreciation	(56,829,237)	(152,925,124)	(209,754,361)
Total capital assets	178,908,936	212,970,605	391,879,541
Other non-current assets:			
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	2,143,817	2,143,817
Notes receivable from customers, less current maturities	-	2,833,334	2,833,334
Other investments	-	412,609	412,609
Regulatory assets, unamortized	-	241,100	241,100
Other assets	-	93,236	93,236
Net pension asset	3,979,131	209,428	4,188,559
Total non-current assets	182,888,067	218,904,129	401,792,196
Total assets	250,722,305	290,530,199	541,252,504
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated changes in fair value of hedging derivatives	2,965,146	3,553,172	6,518,318
Pension contributions subsequent to the measurement date	392,545	2,285,635	2,678,180
OPEB contributions subsequent to the measurement date	-	891,680	891,680
Differences between expected and actual experience - pension	62,302	4,211,055	4,273,357
Changes in assumptions - pension	496,193	26,115	522,308
Differences between expected and actual experience - OPEB	-	176,333	176,333
Changes in assumptions - OPEB	-	174,971	174,971
Total deferred outflows of resources	3,916,186	11,318,961	15,235,147

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position (Continued)
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Payable from current assets:			
Accounts payable	$ 1,414,788	$ 12,241,149	$ 13,655,937
Accrued liabilities	774,946	1,258,501	2,033,447
Accrued interest payable	-	90,850	90,850
Due to other governments	119,800	-	119,800
Reserve for health insurance claims	448,892	2,646,859	3,095,751
Other	-	424,250	424,250
Customer deposits, including interest of $395,134	384,551	16,650,764	17,035,315
Non-current liabilities - due within one year	8,091,000	3,805,444	11,896,444
Payable from restricted assets:			
Due to others	38,853	-	38,853
Total current liabilities	11,272,830	37,117,817	48,390,647
Non-current liabilities:			
Due in more than one year	162,186,679	42,609,327	204,796,006
Derivative instruments - interest rate swaps	14,270,716	3,553,172	17,823,888
Net OPEB liability	-	2,085,972	2,085,972
Total OPEB liability	-	855,800	855,800
Net pension liability	205,129	12,297,220	12,502,349
Advances from Tennessee Valley Authority Residential Energy Services Program	-	2,155,754	2,155,754
Total non-current liabilities	176,662,524	63,557,245	240,219,769
Total liabilities	187,935,354	100,675,062	288,610,416
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	4,132,801	-	4,132,801
Differences between expected and actual experience - pension	1,576,866	579,902	2,156,768
Changes of assumptions - pension	9,633	470,996	480,629
Net differences between projected and actual earnings on plan investments - pension	178,223	980,983	1,159,206
Net differences between projected and actual earnings on plan investments - OPEB	-	76,098	76,098
Differences between expected and actual experience - OPEB	-	886,436	886,436
Changes of assumptions - OPEB	-	92,900	92,900
Total deferred inflows of resources	5,897,523	3,087,315	8,984,838
NET POSITION			
Net investment in capital assets	9,467,692	174,530,139	183,997,831
Restricted:			
Debt service	15,779,279	2,470,930	18,250,209
State street aid	513,686	-	513,686
Drug enforcement	215,980	-	215,980
Pensions	3,979,131	209,428	4,188,559
Unrestricted	30,849,846	20,876,286	51,726,132
Total net position	$ 60,805,614	$ 198,086,783	$ 258,892,397

Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 11,488,551	$ 1,733,886	$ -	$ -	$ (9,754,665)	$ -	$ (9,754,665)
Public safety	10,810,544	315,381	219,467	-	(10,275,696)	-	(10,275,696)
Public works	5,861,516	2,543,027	-	574,657	(2,743,832)	-	(2,743,832)
Recreation	5,599,707	2,438,065	-	52,384	(3,109,258)	-	(3,109,258)
Community development	216,120	-	-	-	(216,120)	-	(216,120)
Interest	6,493,036	-	-	-	(6,493,036)	-	(6,493,036)
Debt administration - other	409,631	-	-	-	(409,631)	-	(409,631)
Total governmental activities	40,879,105	7,030,359	219,467	627,041	(33,002,238)	-	(33,002,238)
Business-type activities:							
Water and Sewer Department	12,090,836	16,942,924	-	-	-	4,852,088	4,852,088
Electric Department	151,615,158	155,114,325	-	-	-	3,499,167	3,499,167
Total business-type activities	163,705,994	172,057,249	-	-	-	8,351,255	8,351,255
Total government	$ 204,585,099	$ 179,087,608	$ 219,467	$ 627,041	(33,002,238)	8,351,255	(24,650,983)
General revenues:							
Taxes:							
Sales taxes					27,422,992	-	27,422,992
Privilege taxes					7,027,715	-	7,027,715
Property taxes					3,951,704	-	3,951,704
Wholesale beer taxes					1,604,212	-	1,604,212
Business taxes					1,344,741	-	1,344,741
Other taxes					1,024,625	-	1,024,625
Interest earned					730,767	392,271	1,123,038
Miscellaneous					311,270	215,643	526,913
Loss on investment derivatives					(2,278,442)	-	(2,278,442)
Gain on sale of capital assets					23,300	2,505	25,805
Transfers					2,065,789	(2,065,789)	-
Total general revenues and transfers					43,228,673	(1,455,370)	41,773,303
Change in net position					10,226,435	6,895,885	17,122,320
Net position, beginning, as previously stated					50,579,179	191,190,898	241,770,077
Net position - ending					$ 60,805,614	$ 198,086,783	$ 258,892,397

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

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 6,143,259	$ -	$ 10,082,090	$ 16,225,349
Investments	11,912,110	-	-	11,912,110
Receivables:				
Property taxes (less allowance for doubtful accounts of $109,796)	30,586	-	-	30,586
Customers (less allowance for doubtful accounts of $4,181)	356,829	-	-	356,829
Other	1,299,936	-	-	1,299,936
Unbilled property taxes	4,132,801	-	-	4,132,801
Due from other governments	3,922,948	-	193,078	4,116,026
Materials and supplies inventory	92,019	-	-	92,019
Restricted assets:				
Cash and cash equivalents	1,284	2,020,898	748,879	2,771,061
Investments	-	13,758,381	-	13,758,381
Due from other governments	-	7,767,737	89,886	7,857,623
Total assets	$ 27,891,772	$ 23,547,016	$ 11,113,933	$ 62,552,721
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 539,018	$ -	$ 801,278	$ 1,340,296
Accrued liabilities	774,946	-	19,685	794,631
Due to other governments	119,800	-	-	119,800
Due to others	38,853	-	-	38,853
Customer deposits	384,551	-	-	384,551
Total liabilities	1,857,168	-	820,963	2,678,131
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,132,801	-	-	4,132,801
Unavailable revenue - sales taxes	-	7,767,737	-	7,767,737
Unavailable revenue - grant revenue	-	-	96,938	96,938
Total deferred inflows of resources	4,132,801	7,767,737	96,938	11,997,476
Fund balances:				
Nonspendable:				
Inventories and prepaids	92,019	-	-	92,019
Restricted:				
Debt service	-	15,779,279	-	15,779,279
State street aid fund	-	-	513,686	513,686
Drug enforcement fund	-	-	215,980	215,980
Assigned:				
Solid waste department	156,768	-	-	156,768
Golf club department	263,271	-	-	263,271
Convention center department	1,409,106	-	-	1,409,106
Capital outlay	2,906,084	-	9,466,366	12,372,450
Unassigned	17,074,555	-	-	17,074,555
Total fund balances	21,901,803	15,779,279	10,196,032	47,877,114
Total liabilities, deferred inflows of resources and fund balances	$ 27,891,772	$ 23,547,016	$ 11,113,933	$ 62,552,721

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

CITY OF SEVIERVILLE, TENNESSEE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds		$ 47,877,114
Capital assets used in governmental activities are not financial financial resources and, therefore, are not reported in the funds:		
Capital assets	$ 235,738,173	
Accumulated depreciation	(56,829,237)	178,908,936
The net pension asset is not an available resource and, therefore, is not reported in the funds.		3,979,131
Internal service funds are reported as proprietary funds, however, the activities accounted for in them are governmental in nature. Therefore, the assets and liabilities of these funds are included liabilities of these funds are included as governmental activities in the statement of net position:		
Total assets	5,282,858	
Total liabilities	(505,040)	4,777,818
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.		(205,129)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable	(169,441,244)	
Compensated absences	(836,435)	
Derivative instruments - interest rate swaps	(14,270,716)	(184,548,395)
Certain deferred outflows of resources and deferred inflows of resources are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Accumulated changes in fair value of hedging derivatives	2,965,146	
Pension contributions subsequent to the measurement date	392,545	
Differences between projected and actual experience - pension	62,302	
Change in assumptions	496,193	
Deferred inflows of resources:		
Unavailable revenue - sales tax	7,767,737	
Unavailable revenue - grants	96,938	
Differences between projected and actual experience - pension	(1,576,866)	
Changes of assumptions - pension	(9,633)	
Differences between projected and actual earnings on on plan investments - pension	(178,223)	10,016,139
Total net position--governmental activities		$ 60,805,614

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

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
Revenues:				
Local taxes	$ 32,619,453	$ 2,843,827	$ -	$ 35,463,280
Licenses and permits	297,436	-	-	297,436
Intergovernmental revenue	2,374,260	5,485,363	1,120,868	8,980,491
Charges for services	5,779,146	-	-	5,779,146
Fines, forfeits and penalties	236,380	-	31,402	267,782
Other revenues	726,663	279,136	91,897	1,097,696
Total revenues	42,033,338	8,608,326	1,244,167	51,885,831
Expenditures:				
Current:				
General government	10,464,633	-	21,013	10,485,646
Public safety	10,458,051	-	151,831	10,609,882
Public works	4,491,543	-	612,292	5,103,835
Recreation	4,939,468	-	21,662	4,961,130
Debt service:				
Principal	1,705,000	2,500,000	-	4,205,000
Interest	1,067,927	5,732,100	-	6,800,027
Debt service charges	55,345	354,286	-	409,631
Capital outlay:				
General government	7,940	-	-	7,940
Public safety	83,003	-	5,933,420	6,016,423
Public works	745,492	-	884,018	1,629,510
Recreation	144,555	-	480,172	624,727
Total expenditures	34,162,957	8,586,386	8,104,408	50,853,751
Excess (deficiencies) of revenues over (under) expenditures	7,870,381	21,940	(6,860,241)	1,032,080
Other financing sources (uses):				
Transfers in	2,065,789	3,616,454	6,218,144	11,900,387
Transfers out	(9,834,598)	-	-	(9,834,598)
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Proceeds from sale of capital assets	30,906	-	-	30,906
Total other financing sources (uses)	(7,737,903)	3,616,454	6,218,144	2,096,695
Net change in fund balances	132,478	3,638,394	(642,097)	3,128,775
Fund balances, beginning	21,769,325	12,140,885	10,838,129	44,748,339
Fund balances, ending	$ 21,901,803	$ 15,779,279	$ 10,196,032	$ 47,877,114

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

CITY OF SEVIERVILLE, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds		$ 3,128,775
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays:		
Depreciation expense	$ (3,595,618)	
Capital outlays	8,278,600	4,682,982
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(566,193)
Proceeds from the sale of capital assets is revenue in the governmental funds, but the net book value of the asset sold is removed from capital assets in the statement of net position and offset against the proceeds resulting in a gain (loss) on disposal of capital assets in the statement of activities.		(182,363)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Principal paid on general obligation bonds	4,205,000	
Premium amortized	306,991	4,511,991
The increase in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities is not reported in governmental funds, but is reported as a gain on investment loss derivatives in the statement of activities.		(2,278,442)
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 the governmental funds:		
Compensated absences	(46,543)	
Pension expense	569,625	523,082
Internal service funds are used by management to charge the costs of insurance and other activities to individual funds. The net internal service fund revenue is reported with governmental activities.		406,603
Change in net position of governmental activities		$ 10,226,435

General Fund

The **General Fund** is used to account for all of the general revenues of the government not specifically levied or collected for other government funds, and for the expenditures related to the rendering of general services by the government. The General Fund is used to account for all resources not required to be accounted for in another fund.

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Revenues:				
Local taxes:				
Property tax	$ 4,044,408	$ 4,044,408	$ 3,929,588	$ 3,946,006
Interest and penalties on property tax	12,000	12,000	18,207	27,321
In lieu of tax - property tax	3,837	3,837	3,910	3,761
Local sales tax	18,455,817	18,455,817	18,331,902	17,393,342
Wholesale liquor tax	231,750	231,750	236,985	213,890
Wholesale beer tax	1,449,121	1,449,121	1,367,227	1,350,738
Business tax	1,453,897	1,453,897	1,344,741	1,304,116
Amusement privilege tax	404,880	404,880	342,093	330,558
Restaurant privilege tax	3,988,905	3,988,905	4,103,191	3,753,731
Natural gas franchise tax	195,215	195,215	225,913	195,215
Cable television franchise tax	143,207	143,207	133,264	131,660
Lodging privilege tax	2,596,020	2,596,020	2,543,759	1,759,959
Liquor privilege tax	29,560	29,560	27,748	28,159
Beer privilege tax	10,921	10,921	10,925	10,160
Total local taxes	33,019,538	33,019,538	32,619,453	30,448,616
Licenses and permits:				
Building permits	130,000	130,000	221,518	140,913
Other licenses and permits	89,993	89,993	75,918	49,034
Total licenses and permits	219,993	219,993	297,436	189,947
Intergovernmental revenue:				
Federal grants	95,000	95,000	17,140	24,116
In lieu of tax - Sevierville Housing Authority	26,500	26,500	-	24,403
State grants	6,000	6,000	6,777	9,013
State of Tennessee:				
Public safety salary supplement	60,600	60,600	52,800	48,000
Sales tax	1,250,000	1,250,000	1,313,257	1,261,920
Hall income tax	50,000	50,000	169,618	104,051
Beer tax	7,500	7,500	6,855	6,908
Mixed drink tax	234,684	234,684	239,300	211,906
City streets and transportation tax	31,591	31,591	29,400	29,792
Street maintenance contract	189,000	189,000	165,991	157,498
Telecommunications sales tax	1,500	1,500	10,096	10,906
TVA gross receipts tax	179,201	179,201	175,345	167,904
State excise tax	35,000	35,000	44,931	56,143
Sevier County, Tennessee:				
Fire department	51,750	51,750	52,750	51,750
School resource officers salary supplement	90,000	90,000	90,000	90,000
Total intergovernmental revenue	2,308,326	2,308,326	2,374,260	2,254,310

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Revenues (continued):				
Charges for services:				
Police security	$ 41,600	$ 41,600	$ 16,590	$ 21,120
Solid waste fees	1,891,000	1,891,000	1,855,350	1,508,182
Convention center fees	1,057,300	1,057,300	1,383,161	1,261,454
Golf course fees	2,000,782	2,000,782	1,826,438	1,795,288
Community center fees	491,000	491,000	396,258	349,060
City park fees	208,000	208,000	147,670	138,980
Civic center rental fees	62,000	62,000	57,970	65,209
Other charges for services	176,769	176,769	95,709	95,136
Total charges for services	5,928,451	5,928,451	5,779,146	5,234,429
Fines, forfeits and penalties:				
City court fines and costs	70,000	70,000	79,750	101,417
Diversion filing	80,000	80,000	94,400	118,828
County court fines and costs	40,000	40,000	57,849	51,474
Offenders registration	600	600	376	1,251
Forfeits and seizures	2,000	2,000	4,005	2,796
Total fines, forfeits and penalties	192,600	192,600	236,380	275,766
Other revenues:				
Interest earnings	135,000	135,000	365,870	106,280
Rents and leases	70,941	70,941	71,441	71,441
Other miscellaneous revenue	90,098	90,098	289,352	77,763
Total other revenues	296,039	296,039	726,663	255,484
Total revenues	41,964,947	41,964,947	42,033,338	38,658,552
Expenditures:				
General government:				
Legislative board:				
Personal services	150,852	150,852	146,822	179,819
Contractual services	24,227	24,227	18,869	24,340
Supplies	1,000	1,000	538	1,007
Total legislative board	176,079	176,079	166,229	205,166
Legal services:				
Contractual services	246,800	246,800	181,692	180,711
Total legal services	246,800	246,800	181,692	180,711

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Expenditures (continued):				
General government (continued):				
City administration:				
Personal services	$ 569,920	$ 569,920	$ 568,209	$ 617,587
Contractual services	96,050	96,050	21,719	46,134
Supplies	4,925	4,925	3,952	5,455
Fixed charges	-	-	338	14
Less expense reimbursements from proprietary fund	(294,914)	(294,914)	(289,922)	(285,695)
Total city administration	375,981	375,981	304,296	383,495
City recorder/finance department:				
Personal services	1,106,050	1,106,050	1,061,512	1,136,494
Contractual services	218,686	218,686	207,745	212,449
Supplies	27,575	27,575	16,237	27,325
Fixed charges	42,787	42,787	8,702	2,410
Less expense reimbursements from proprietary fund	(294,914)	(294,914)	(289,922)	(285,695)
Total city recorder/finance department	1,100,184	1,100,184	1,004,274	1,092,983
Information services:				
Personal services	364,101	364,101	318,613	338,971
Contractual services	335,815	335,815	312,064	228,520
Supplies	2,350	2,350	1,288	13,335
Capital outlay	59,000	59,000	57,874	64,780
Less expense reimbursements from proprietary fund	(294,914)	(294,914)	(289,921)	(285,695)
Total information services	466,352	466,352	399,918	359,911
Planning and development:				
Personal services	886,736	886,736	894,856	961,189
Contractual services	111,231	111,231	64,955	142,187
Supplies	9,805	9,805	7,021	5,915
Fixed charges	1,122	1,122	2,276	1,844
Capital outlay	-	-	1,570	3,282
Total planning and development	1,008,894	1,008,894	970,678	1,114,417
Facilities management:				
Personal services	454,959	454,959	457,203	557,718
Contractual services	39,515	39,515	17,033	16,597
Supplies	29,025	29,025	27,947	30,106
Total facilities management	523,499	523,499	502,183	604,421

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Expenditures (continued):				
General government (continued):				
Marketing:				
Personal services	$ 84,185	$ 84,185	$ 84,113	$ 91,473
Contractual services	4,132,222	4,132,222	4,123,029	4,018,969
Supplies	725	725	272	635
Fixed charges	-	-	-	12
Total marketing	4,217,132	4,217,132	4,207,414	4,111,089
Sevierville Convention Center:				
Personal services	868,643	868,643	853,060	894,010
Contractual services	695,575	695,575	613,729	595,724
Supplies	36,967	36,967	36,718	42,348
Fixed charges	78,010	78,010	81,568	74,987
Total Sevierville Convention Center	1,679,195	1,679,195	1,585,075	1,607,069
Contracts, grants and other special funding:				
Contractual services	130,000	130,000	125,450	122,897
Grants, contributions and other	242,000	242,000	159,656	515,434
Total contracts, grants and other special funding	372,000	372,000	285,106	638,331
Other general government:				
Personal services	9,500	9,500	10,136	17,863
Contractual services	375,238	375,238	291,980	245,671
Supplies	4,515	4,515	10,812	13,690
Fixed charges	621,133	621,133	535,886	528,255
Capital outlay	102,000	102,000	16,894	-
Total other general government	1,112,386	1,112,386	865,708	805,479
Total general government	11,278,502	11,278,502	10,472,573	11,103,072
Public safety:				
Police:				
Personal services	5,374,301	5,354,319	5,281,424	5,768,512
Contractual services	218,049	218,049	187,049	226,422
Supplies	239,850	259,832	251,866	228,833
Fixed charges	895	895	1,190	1,122
Grants, contributions and other	30,500	30,500	30,811	20,374
Capital outlay	353,300	353,300	339,096	302,480
Total police	6,216,895	6,216,895	6,091,436	6,547,743

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Expenditures (continued):				
Public safety (continued):				
Traffic control and maintenance:				
Personal services	$ 223,104	$ 223,104	$ 223,783	$ 248,915
Contractual services	78,090	78,090	73,552	81,623
Supplies	82,125	82,125	67,915	123,804
Capital outlay	-	-	-	230
Total traffic control and maintenance	383,319	383,319	365,250	454,572
Fire:				
Personal services	3,134,106	3,134,106	3,062,392	3,241,775
Contractual services	863,309	863,309	831,026	848,630
Supplies	220,090	220,090	190,921	250,193
Fixed charges	-	-	29	6
Capital outlay	336,234	336,234	-	138,562
Total fire	4,553,739	4,553,739	4,084,368	4,479,166
Total public safety	11,153,953	11,153,953	10,541,054	11,481,481
Public works:				
Street:				
Personal services	1,430,532	1,430,532	1,387,935	1,500,598
Contractual services	500,692	500,692	422,862	447,207
Supplies	94,450	94,450	118,696	127,524
Building materials	502,900	502,900	459,361	526,480
Fixed charges	-	-	9	6
Capital outlay	10,000	10,000	-	4,596
Total street	2,538,574	2,538,574	2,388,863	2,606,411
Fleet maintenance:				
Personal services	481,860	481,860	460,586	525,084
Contractual services	71,403	71,403	77,418	72,300
Supplies	253,000	253,000	256,326	250,609
Fixed charges	-	-	26	20
Total fleet maintenance	806,263	806,263	794,356	848,013

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Expenditures (continued):				
Public works (continued):				
Solid waste:				
Personal services	$ 657,677	$ 667,677	$ 648,349	$ 773,870
Contractual services	657,610	672,610	662,293	622,928
Supplies	180,600	225,600	232,934	206,315
Bad debt expense	-	-	6,236	5,095
Capital outlay	350,000	490,000	504,004	-
Total solid waste	1,845,887	2,055,887	2,053,816	1,608,208
Total public works	5,190,724	5,400,724	5,237,035	5,062,632
Recreation:				
Parks and recreation:				
Personal services	1,039,306	1,039,306	1,068,618	1,123,059
Contractual services	207,224	207,224	196,057	271,661
Supplies	197,400	197,400	165,783	184,473
Materials	8,300	8,300	1,893	8,352
Fixed charges	-	-	90	41
Capital outlay	-	-	528	18,320
Total parks and recreation	1,452,230	1,452,230	1,432,969	1,605,906
Community Center:				
Personal services	857,750	857,750	828,347	912,349
Contractual services	130,307	130,307	123,248	131,607
Supplies	95,490	95,490	88,771	88,334
Fixed charges	3,448	3,448	3,983	3,969
Other	14,500	14,500	10,277	9,648
Capital outlay	10,000	10,000	11,906	33,518
Total Community Center	1,111,495	1,111,495	1,066,532	1,179,425
Civic Center:				
Personal services	150,516	150,516	148,470	155,349
Contractual services	38,423	38,423	33,998	45,588
Supplies	12,150	12,150	6,964	11,476
Fixed charges	150	150	199	199
Capital outlay	-	-	-	4,611
Total Civic Center	201,239	201,239	189,631	217,223

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019			
	Budgeted Amounts			
	Original	Final	Actual	2018
Expenditures (continued):				
Recreation (continued):				
Sevierville Golf Club:				
Personal services	$ 1,321,978	$ 1,321,978	$ 1,276,287	$ 1,282,851
Contractual services	341,173	341,173	297,880	337,383
Supplies	606,538	606,538	643,456	642,857
Fixed charges	57,140	57,140	53,567	59,802
Capital outlay	125,550	125,550	123,701	82,034
Total Sevierville Golf Club	2,452,379	2,452,379	2,394,891	2,404,927
Total recreation	5,217,343	5,217,343	5,084,023	5,407,481
Debt administration:				
Principal	1,705,000	1,705,000	1,705,000	1,615,000
Interest	1,122,194	1,122,194	1,067,927	1,078,793
Debt service charges	105,000	105,000	55,345	41,688
Total debt administration	2,932,194	2,932,194	2,828,272	2,735,481
Total expenditures	35,772,716	35,982,716	34,162,957	35,790,147
Revenues over (under) expenditures	6,192,231	5,982,231	7,870,381	2,868,405
Other financing sources (uses):				
Transfers in	1,679,786	1,679,786	2,065,789	1,618,316
Transfers out	(6,339,843)	(9,834,598)	(9,834,598)	(1,430,455)
Proceeds from sale of capital assets	35,334	35,334	30,906	57,421
Total other financing sources (uses)	(4,624,723)	(8,119,478)	(7,737,903)	245,282
Net change in fund balances	1,567,508	(2,137,247)	132,478	3,113,687
Fund balance, beginning	21,769,325	21,769,325	21,769,325	18,655,638
Fund balance, ending	$ 23,336,833	$ 19,632,078	$ 21,901,803	$ 21,769,325

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered primarily through user charges. The government has the following Enterprise Funds:

Water and Sewer Department Fund – to account for the providing of water and sewer services to the residents of the government and surrounding areas. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer Department debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The fund is operated as Sevierville Water Systems.

Electric Department Fund – to account for the providing of electricity to the residents of the government and Sevier County. Activities of the fund include administration, operation and maintenance of the electric system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Electric Department debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The fund is operated as Sevier County Electric System.

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 15,537,908	$ 18,324,202	$ 33,862,110	$ 5,192,858
Investments:				
Unsegregated	960,221	8,626,418	9,586,639	-
Segregated for emergency and self-insured funds	-	4,804,143	4,804,143	-
Receivables:				
Customers (net of allowance for doubtful accounts of $50,985 and $512,533, respectively)	1,141,858	7,531,903	8,673,761	-
Other	60,915	-	60,915	-
Other, including current maturities of notes receivable from customers of $444,444	-	1,039,466	1,039,466	90,000
Unbilled revenue	905,694	7,229,203	8,134,897	-
Materials and supplies inventories	664,677	2,328,532	2,993,209	-
Restricted assets:				
Cash and cash equivalents	5,651	215,279	220,930	-
Investments - debt reserve	-	2,250,000	2,250,000	-
Total current assets	19,276,924	52,349,146	71,626,070	5,282,858
Noncurrent assets:				
Capital assets, not being depreciated:				
Land and land rights	427,269	7,419,475	7,846,744	-
Construction work in progress	556,888	4,807,443	5,364,331	-
Capital assets, being depreciated:				
Utility plant	111,142,614	220,395,781	331,538,395	-
Machinery and equipment	10,828,412	10,317,847	21,146,259	-
Less accumulated depreciation	(49,683,965)	(103,241,159)	(152,925,124)	-
Total capital assets	73,271,218	139,699,387	212,970,605	-
Other noncurrent assets:				
Notes receivable from customers, less current maturities	-	2,833,334	2,833,334	-
Tennessee Valley Authority Residential Energy Services Program receivable	-	2,143,817	2,143,817	-
Other investments	-	412,609	412,609	-
Regulatory assets, unamortized	-	241,100	241,100	-
Other assets	-	93,236	93,236	-
Net pension asset	209,428	-	209,428	-
Total noncurrent assets	73,480,646	145,423,483	218,904,129	-
Total assets	92,757,570	197,772,629	290,530,199	5,282,858
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated changes in fair value of hedging derivatives	2,814,288	738,884	3,553,172	-
Pension contributions subsequent to the measurement date	786,660	1,498,975	2,285,635	-
OPEB contributions subsequent to the measurement date	91,680	800,000	891,680	-
Differences between expected and actual experience - pension	560,711	3,650,344	4,211,055	-
Differences between expected and actual experience - OPEB	19,000	157,333	176,333	-
Changes in assumptions - pension	26,115	-	26,115	-
Changes in assumptions - OPEB	-	174,971	174,971	-
Total deferred outflows of resources	4,298,454	7,020,507	11,318,961	-

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position
Proprietary Funds (Continued)
June 30, 2019

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Current maturities of long-term debt	$ 800,000	$ 1,889,444	$ 2,689,444	$ -
Compensated absences - current	118,000	998,000	1,116,000	-
Accounts payable	541,502	11,699,647	12,241,149	56,148
Accrued expenses	145,646	1,112,855	1,258,501	-
Accrued interest	90,850	-	90,850	-
Reserve for health insurance claims	-	2,646,859	2,646,859	448,892
Revenues received in advance	424,250	-	424,250	-
Customer deposits, including interest of $395,134	1,038,416	15,612,348	16,650,764	-
Total current liabilities	3,158,664	33,959,153	37,117,817	505,040
Noncurrent liabilities:				
Long-term debt, less current maturities	29,830,466	9,235,360	39,065,826	-
Compensated absences, less current portion	132,756	3,410,745	3,543,501	-
Derivative instrument - interest rate swap	2,814,288	738,884	3,553,172	-
Net OPEB liability	-	2,085,972	2,085,972	-
Total OPEB liability	855,800	-	855,800	-
Net pension liability	1,846,160	10,451,060	12,297,220	-
Advances from Tennessee Valley Authority Residential Energy Services Program	-	2,155,754	2,155,754	-
Total noncurrent liabilities	35,479,470	28,077,775	63,557,245	-
Total liabilities	38,638,134	62,036,928	100,675,062	505,040
DEFERRED INFLOWS OF RESOURCES				
Differences between projected and actual experience - pension	579,902	-	579,902	-
Changes of assumptions - pension	86,700	384,296	470,996	-
Differences between projected and actual experience - OPEB	-	886,436	886,436	-
Net differences between projected and actual earnings on plan investments - pension	159,245	821,738	980,983	-
Net differences between projected and actual earnings on plan investments - OPEB	-	76,098	76,098	-
Changes of assumptions - OPEB	92,900	-	92,900	-
Total deferred inflows of resources	918,747	2,168,568	3,087,315	-
NET POSITION				
Net position:				
Net investment in capital assets	42,640,752	131,889,387	174,530,139	-
Restricted for debt service	5,651	2,465,279	2,470,930	-
Restricted for pensions	209,428	-	209,428	-
Unrestricted	14,643,312	6,232,974	20,876,286	4,777,818
Total net position	$ 57,499,143	$ 140,587,640	$ 198,086,783	$ 4,777,818

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenses, and Change in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
Operating revenues:				
Utility sales	$ 15,227,405	$ 152,419,425	$ 167,646,830	$ -
Other operating revenue	1,715,519	2,694,900	4,410,419	117,616
Medical, dental and childcare revenue	-	-	-	5,376,095
Total operating revenues	16,942,924	155,114,325	172,057,249	5,493,711
Operating expenses:				
Operations	6,092,739	5,382,333	11,475,072	4,640,868
Maintenance	160,001	9,681,235	9,841,236	-
Depreciation and amortization	3,672,561	7,504,984	11,177,545	-
Administrative and general	1,097,022	5,188,529	6,285,551	446,240
Purchased power	-	122,277,696	122,277,696	-
Payroll taxes	-	515,716	515,716	-
Total operating expenses	11,022,323	150,550,493	161,572,816	5,087,108
Operating income (loss)	5,920,601	4,563,832	10,484,433	406,603
Non-operating revenues (expenses):				
Interest income	162,963	229,308	392,271	-
Miscellaneous income	163,115	-	163,115	-
Merchandise sales, net of costs	-	52,528	52,528	-
Interest expense	(1,068,513)	(441,329)	(1,509,842)	-
Gain (loss) on disposal	2,505	-	2,505	-
Intergovernmental - in lieu of tax	-	(623,336)	(623,336)	-
	(739,930)	(782,829)	(1,522,759)	-
Income (loss) before transfers	5,180,671	3,781,003	8,961,674	406,603
Transfers out	(59,719)	(2,006,070)	(2,065,789)	-
Change in net position	5,120,952	1,774,933	6,895,885	406,603
Net position, beginning	52,378,191	138,812,707	191,190,898	4,371,215
Net position, ending	$ 57,499,143	$ 140,587,640	$ 198,086,783	$ 4,777,818

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

CITY OF SEVIERVILLE, TENNESSEE

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 17,032,050	$ 156,438,155	$ 173,470,205	$ -
Cash received from employees, other participants and other funds	-	-	-	5,649,312
Cash payments to suppliers for goods and services	(5,464,264)	(134,417,861)	(139,882,125)	(765,046)
Cash payments to employees for services	(2,028,755)	(8,995,521)	(11,024,276)	-
Cash payments for claims	-	-	-	(4,213,362)
Net cash provided by operating activities	9,539,031	13,024,773	22,563,804	670,904
Cash flows from noncapital financing activities:				
Cash payment for in-lieu of taxes	(59,719)	(2,629,406)	(2,689,125)	-
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	-	(3,440)	(3,440)	-
Repayment of USDA loan	-	(388,895)	(388,895)	-
Net cash used by noncapital financing activities	(59,719)	(3,021,741)	(3,081,460)	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,790,577)	(10,931,179)	(12,721,756)	-
Proceeds from sale of capital assets	3,505	-	3,505	-
Principal paid on long-term debt	(1,170,000)	(1,370,000)	(2,540,000)	-
Interest paid	(1,115,620)	(411,886)	(1,527,506)	-
Net cash used by capital and related financing activities	(4,072,692)	(12,713,065)	(16,785,757)	-
Cash flows from investing activities:				
Purchase of investments	(3,066)	(80,549)	(83,615)	-
Interest received on investments	162,963	281,836	444,799	-
Customer repayments of USDA note receivable	-	407,407	407,407	-
Net cash provided by investing activities	159,897	608,694	768,591	-
Net increase (decrease) in cash and cash equivalents	5,566,517	(2,101,339)	3,465,178	670,904
Cash and cash equivalents, beginning	9,977,042	20,640,820	30,617,862	4,521,954
Cash and cash equivalents, ending	$ 15,543,559	$ 18,539,481	$ 34,083,040	$ 5,192,858
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 5,920,601	$ 4,563,832	$ 10,484,433	$ 406,603
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,672,561	7,504,984	11,177,545	-
Miscellaneous income	163,115	-	163,115	-
(Increase) decrease in assets and deferred outflows:				
Receivables	(209,829)	(120,359)	(330,188)	155,601
Unbilled revenues	45,320	-	45,320	-
Materials and supplies inventory	34,000	39,627	73,627	-
Other assets	-	1,265	1,265	-
Net pension asset	(92,646)	-	(92,646)	-
Deferred outflows related to pension and OPEB	(639,433)	(1,877,472)	(2,516,905)	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	398,978	(171,582)	227,396	49,680
Accrued expenses	9,287	153,458	162,745	-
Reserve for health insurance claims	-	101,036	101,036	59,020
Customer deposits	93,520	1,444,189	1,537,709	-
Deferred revenue	(3,000)	-	(3,000)	-
Compensated absences	39,501	242,983	282,484	-
Net OPEB liability	(111,200)	(209,998)	(321,198)	-
Net pension liability	(196,765)	687,823	491,058	-
Deferred inflows related to property taxes	43,382	-	43,382	-
Deferred inflows related to pension plan and OPEB	371,639	664,987	1,036,626	-
Net cash provided by operating activities	$ 9,539,031	$ 13,024,773	$ 22,563,804	$ 670,904

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Sevierville, Tennessee (government) is a municipal corporation governed by a Home Rule Charter form of government. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The Public Building Authority of the City of Sevierville, Tennessee (PBA) is reported as a blended component unit accounted for as a governmental capital projects fund. The PBA serves the geographic area of Sevierville and its corporate charter grants it legally separate corporate powers. The PBA was created in July, 2003 by the government under the provisions of The Tennessee Public Building Authorities Act of 1971, TCA 12-10-101, granting its permission to apply to the Tennessee Secretary of State for incorporation as a public nonprofit corporation to undertake responsibility to provide for construction, operation, and management of "Qualified Public Use Facilities" as outlined improvements for a Tourism Development Zone/Central Business Improvement District established by the government and approved by the State of Tennessee. The government has appointed seven Directors to the PBA's Board of Directors with staggered terms of service, none of which are elected government officials. The government also provides all funding for the PBA. There is no separate report issued for the PBA.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. 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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's electric, water and sewer functions 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.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Central Business Improvement District Fund* (CBID Fund) accounts for the use of certain bond funds and the servicing of certain long-term debt of the government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Financial Statements (Continued)

The government reports the following major enterprise funds:

The *Water and Sewer Department Fund* accounts for all the activities of Sevierville Water Systems, a department of the government. Sevierville Water Systems operates the water distribution and sewer collection and treatment systems for residents of the government and surrounding areas.

The *Electric Department Fund* accounts for all the activities of Sevier County Electric System, a department of the government. Sevier County Electric System operates the electric utility for residents of the government and all of Sevier County. The Sevier County Electric System operates under a separate Board of Commissioners appointed by the government's ruling body. Complete comparative financial statements of this fund can be obtained from Sevier County Electric System, P.O. Box 4870, Sevierville, TN 37864-4870.

Additionally, the government reports the following fund types:

Internal Service Funds account for risk management services (including claims for health, dental and vision and childcare) provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The appropriated budget is prepared by fund, function, and department. All supplemental appropriations or transfers of unencumbered appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the individual department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

At June 30, 2019, the government had no encumbrances. Also, for the year ended June 30, 2019, the government did not have any excess expenditure over appropriations.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) having original maturity dates of three months or less from the date of acquisition. The cash and cash equivalents of various funds of the government are invested in pooled accounts. Funds with negative cash and cash equivalents report the negative amount as due to other funds of the primary government and the funds lending funds report an offsetting due from other funds of the primary government. Investment income earned on funds invested in pooled accounts is allocated to the respective funds on the basis of relative balances.

Investments

Investments consist primarily of certificates of deposit and investments in the Tennessee Local Government Investment Pool. Certificates of deposit are reported at cost, which approximates fair value. Tennessee Local Government Investment Pool is maintained and managed by the State of Tennessee. This Pool is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the government's investments in the Pool have been determined based on the Pool's share price, which approximates fair value.

Property Taxes Receivable

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1 of the following year.

Property tax revenues are recognized when levied to the extent that they result in current receivables within sixty days of the end of the year. Property taxes recognized as a receivable before the period of revenue recognition are reported as deferred inflow of resources. A reserve representing delinquent taxes which remain uncollected and are unavailable to fund expenditures of the fiscal year June 30, 2019 is recorded. The balance of the reserve account at June 30, 2019 is $109,796.

At June 30, 2019, the government's 2019 property taxes were not scheduled to be billed until October 2019. Consequently, unbilled property taxes and deferred inflows of resources $4,132,801 are recorded.

Inventories

Inventories are valued at the lower of average cost or market and consist of items available for resale in the general fund and construction materials, supplies and repair parts in the enterprise funds. Inventories are determined on the weighted average method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used, but only those infrastructure projects that cost more than $50,000 are reported as capital assets.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation, which is the price that would be paid to purchase an asset with equivalent service potential in an orderly market transaction.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. During the year ended June 30, 2019, there were no capitalized interest costs.

Land and improvements and construction/retirement in progress are not depreciated. The other property, equipment, and infrastructure in governmental activities are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Useful Lives
Buildings and improvements	15 – 75 years
Infrastructure	50 – 100 years
Machinery and equipment	5 – 30 years

The other property, plant and equipment in business activities are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Useful Lives
Machinery and equipment	5 – 20 years
Utility plant	7½ – 50 years

The original cost of electric department fund plant retired or otherwise disposed of and the cost of removal less salvage are charged to accumulated depreciation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until then.

The government has items that qualify for reporting in these categories. The government analyzes its derivative financial instruments into hedging derivative instruments and investment derivative instruments. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the statement of net position as deferred outflows/inflows of resources. Pension and OPEB plans contributions made after the net pension liability measurement date are also reported as deferred outflows of resources on the statement of net position. Certain sales taxes in the central business improvement district fund and certain property taxes in the general fund are unavailable resources in the current year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the statement of net position includes certain additional items related to pensions and OPEB plans.

Net Position Flow Assumption

Net position – net investment in capital assets in the government-wide and proprietary fund financial statements consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net investment of capital assets will also include deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are any significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, the portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as net position - restricted and net position - unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider net position - restricted to have been depleted before net position - unrestricted is applied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification consists of funds that are set aside for a specific purpose determined by the Board of Mayor and Aldermen. Formal action must be taken prior to the end of the fiscal year. Any funds set aside as committed fund balance requires the passage of an ordinance, the Board's most binding constraint. Once committed, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Mayor and Aldermen has by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy establishes a minimum unassigned general fund balance equal to 25 percent of budgeted general fund expenditures. In the event that the balance drops below the established minimum level, the governing body will develop a plan to replenish the fund balance to the established minimum level within two years.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Revenues and Expenditures/Expenses (Continued)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the government will compensate the employees for the benefits through paid time off or some other means. The government records a liability for accumulated unused vacation time when earned for all employees. The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. At June 30, 2019, there are no such amounts reported. The noncurrent portion of the liability is not reported, but if the long-term portion were required to be liquidated, the amount would be paid from the general fund as has been done in prior years.

Government (excluding Electric Department Fund) employees may accrue up to 160 hours (216 hours for fire department employees) of vacation leave per year, depending upon years of service. Any accrued vacation leave in excess of 240 hours (324 hours for fire department employees) at June 30th of each year is converted to accrued sick leave. Upon separation from the government, the employee will be paid 100% of accrued vacation leave up to a maximum of 240 hours (324 hours for fire department employees) if proper notice has been given.

Sick leave accrues at the rate of eight hours per month without a maximum limitation. Accrued sick leave does not vest and, accordingly, has not been recorded as a liability at June 30, 2019. However, the cost of accrued sick leave is recognized when earned for the Water and Sewer Department Fund employees who were employed on July 1, 2005 (pre-merger employees). Pre-merger employees were allowed to accumulate unlimited sick leave (eight hours per month). All accumulated sick leave is forfeited if any of these employees resign or is terminated. In the event of death or retirement, accumulated sick leave is payable to a maximum of 800 hours to these employees.

Electric Department Fund employees may accrue up to 280 hours of vacation and personal leave per year, depending upon years of service. A maximum of 40 hours at December 31st of each year may be carried over. Upon separation from the government, the employee will be paid 100% of accrued vacation leave up to a maximum of 280 hours if proper notice has been given.

Employees earn 10 hours of sick leave per month with a maximum accumulation of 2,080 hours. Upon retirement or death, employees are compensated for any accumulated sick leave up to 1,800 hours. Although not required, the Electric Department Fund's policy is to accrue this amount in full, which totaled $3,840,661 at June 30, 2019. In the event of termination, employees forfeit all unused sick leave.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Revenues and Expenditures/Expenses (Continued)

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Plant Acquisition Adjustments

Plant acquisition adjustments represent the excess of cost over net book value of utility properties acquired from other utility systems. Such excess cost is amortized over a period of twenty years.

Comparative Data

Comparative totals for the prior year have been presented in the budgetary comparison schedules in order to provide an understanding of changes in the government's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's presentation.

Regulated Operations

The Electric Department Fund operates an electric utility that is regulated by Tennessee Valley Authority (TVA), an agency of the federal government. TVA exercises oversight in the rate setting process and requires the use of accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission (FERC). Specific accounting policies which are unique to FERC include: 1) When capital assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal costs less salvage is charged or credited to the accumulated depreciation account; and 2) a portion of depreciation expense is charged to a transportation clearing account and capitalized in the related project; and 3) Debt issuance costs are treated as a regulatory asset as defined in GASB Statement 62 and are capitalized when incurred and amortized over the life of the related debt issue using the straight-line method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Accounting Policies (Continued)

Regulated Operations (Continued)

The Electric Department Fund also has a power contract with TVA whereby the Electric Department Fund purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract.

Finally, the Electric Department Fund participates in TVA's Residential Energy Efficiency Program which provides loans to the Electric Department Fund's residential customers for heat pump and insulation costs.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sevier County Electric System Employees' Pension Plan (SEPP) as well as the government's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (SCES Plan) and additions to/deductions from SCES Plan's fiduciary net position have been determined on the same basis as they are reported by SCES Plan. For this purpose, SCES Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 83, "Asset Retirement Obligations" – The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2018.

Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements – The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2018.

These Statements have had no effect on the government's financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2019, cash, cash equivalents and investments consisted of the following:

	Unrestricted	Restricted	Total
Checking and savings accounts	$ 55,280,317	$ 2,760,462	$ 58,040,779
Cash equivalents held in trust	-	231,529	231,529
Cash and cash equivalents	$ 55,280,317	$ 2,991,991	$ 58,272,308
Tennessee Local Government Investment Pool	$ 11,912,110	$ 11,130,582	$ 23,042,692
Certificates of Deposit	14,390,782	4,877,799	19,268,581
Investments	$ 26,302,892	$ 16,008,381	$ 42,311,273

Government (excluding Electric Department Fund) – At June 30, 2019 the government's deposits with financial institutions were entirely covered by federal depository insurance or insured through the State of Tennessee Bank Collateral Pool.

Electric Department Fund – Cash on deposit with financial institutions at June 30, 2019 was entirely secured by federal depository insurance, collateral held by the Electric Department Fund's agent in the name of Sevier County Electric System or insured through the State of Tennessee Bank Collateral Pool.

The governing body has not adopted a formal deposit and investment policy that limits the government's allowable deposits and investments or addresses credit risk, custodial credit risk, concentration of credit risk or interest rate risk. However, the government follows state statutes related to investments. State law and bond requirements prohibit investments that are not secured or insured by the U.S. Government. All assets currently classified as investments by the government consist of deposits with the Tennessee Local Government Investment Poll (LGIP) and non-negotiable certificates of deposit which are not subject to fair value reporting methods but are reported using the historical cost method. LGIP is included in the State Pooled Investment Fund of Tennessee (SPIF). The State of Tennessee has not obtained a credit quality rating for the SPIF from a nationally recognized credit ratings agency.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2019

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

Governmental Activities	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 55,524,018	$ -	$ (150,000)	$ 55,374,018
Construction work in progress	2,674,163	7,020,727	(6,634,604)	3,060,286
Total capital assets, not being depreciated	58,198,181	7,020,727	(6,784,604)	58,434,304
Capital assets, being depreciated:				
Buildings and improvements	96,812,579	6,460,856	-	103,273,435
Bridges	2,999,476	-	-	2,999,476
Street network	49,147,106	-	-	49,147,106
Traffic signals	1,801,970	173,746	-	1,975,716
Computers	849,262	19,572	(1,160)	867,674
Equipment	7,372,892	519,305	(72,950)	7,819,247
Furniture	671,259	12,466	(2,500)	681,225
Radios	500,282	-	-	500,282
Vehicles	9,490,035	706,532	(156,859)	10,039,708
Total capital assets, being depreciated	169,644,861	7,892,477	(233,469)	177,303,869
Less accumulated depreciation:				
Buildings and improvements	30,905,236	2,179,998	-	33,085,234
Bridges	866,105	37,398	-	903,503
Street network	7,761,199	322,339	-	8,083,538
Traffic signals	1,007,712	49,154	-	1,056,866
Computers	640,025	71,686	(231)	711,480
Equipment	5,777,715	369,959	(69,100)	6,078,574
Furniture	669,498	2,128	(2,500)	669,126
Radios	496,760	1,002	-	497,762
Vehicles	5,310,475	561,954	(129,275)	5,743,154
Total accumulated depreciation	53,434,725	3,595,618	(201,106)	56,829,237
Capital assets, being depreciated, net	116,210,136	4,296,859	(32,363)	120,474,632
Governmental activities capital assets, net	$ 174,408,317	$ 11,317,586	$ (6,816,967)	$ 178,908,936

Depreciation expense was charged to governmental functions as follows:

General Government	$ 1,307,671
Public Safety	600,353
Public Works	789,442
Culture and Recreation	682,033
Community Development	216,119
Total depreciation expense	$ 3,595,618

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2019

3. CAPITAL ASSETS (Continued)

Business-Type Activities	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land and land rights	$ 7,846,744	$ -	$ -	$ 7,846,744
Construction work in progress	4,643,932	720,399	-	5,364,331
Total capital assets, not being depreciated	12,490,676	720,399	-	13,211,075
Capital assets, being depreciated:				
Electric distribution system	213,577,666	8,917,950	(2,099,835)	220,395,781
Water and sewer plant	110,165,403	977,211	-	111,142,614
Machinery and equipment	4,932,823	131,165	-	5,063,988
Transportation equipment	8,010,933	1,257,552	(223,411)	9,045,074
Office furniture and fixtures	2,092,005	93,210	-	2,185,215
Other capital assets	4,368,993	482,989	-	4,851,982
Total capital assets, being depreciated	343,147,823	11,860,077	(2,323,246)	352,684,654
Less accumulated depreciation:				
Electric distribution system	91,886,531	7,450,937	(2,691,370)	96,646,098
Water and sewer plant	40,810,820	2,936,148	-	43,746,968
Machinery and equipment	3,533,163	222,004	-	3,755,167
Transportation equipment	4,618,820	502,355	(153,712)	4,967,463
Office furniture and fixtures	1,649,332	-	-	1,649,332
Other capital assets	1,722,527	437,569	-	2,160,096
Total accumulated depreciation	144,221,193	11,549,013	(2,845,082)	152,925,124
Capital assets, being depreciated, net	198,926,630	311,064	521,836	199,759,530
Business-type activities capital assets, net	$ 211,417,306	$ 1,031,463	$ 521,836	$ 212,970,605

Depreciation expense was charged to business-type activities as follows:

Water and Sewer Department Fund	$ 3,672,561	
Electric Department Fund	7,876,452	*
Total depreciation expense	$ 11,549,013	

* Of this amount, $381,556 was charged to a transportation clearing account and capitalized into construction work in progress.

4. LONG-TERM LIABILITIES

General Obligation Bonds and Notes Payable

The government issues general obligation bonds and general obligation revenue bonds to provide funds for the acquisition and construction of major capital facilities and has issued notes payable for two local development programs. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with varying amounts of principal maturing each year with maturities that range from 4 to 26 years. The general obligation bonds and notes payable outstanding at June 30, 2019 are as follows:

Debt Issue	Issued	Original Borrowing	Interest Rates	Final Maturity	Outstanding June 30, 2019
Governmental Activities:					
Local Government Public Improvement Bonds, Series VII-L-1	06/01/12	16,215,000	Varies	2025	$ 10,745,000
General Obligation Bonds, Series 2013	05/30/13	9,160,000	Varies	2035	8,760,000
Local Government Public Improvement Bonds, Series VII-M-1	05/01/14	2,300,000	Varies	2032	1,900,000
General Obligation Bonds, Series 2015	05/29/15	5,680,000	Varies	2032	5,355,000
Local Government Public Improvement Bonds, Series 2009B	12/30/09	24,500,000	Varies	2034	24,500,000
Local Government Public Improvement Bonds, Series 2010A	01/14/10	25,000,000	Varies	2033	25,000,000
Local Government Public Improvement Bonds, Series 2010B	09/15/10	26,100,000	Varies	2031	26,100,000
Local Government Public Improvement Bonds, Series VII-N-1	05/01/14	25,000,000	Varies	2028	23,000,000
General Obligation Refunding Bonds, Series 2018	05/31/18	42,760,000	Varies	2028	41,260,000
	Total governmental activities				$ 166,620,000
Business-Type Activities:					
Local Government Public Improvement Bonds, Series VII-A-2	06/01/09	8,000,000	Varies	2035	$ 8,000,000
Local Government Public Improvement Revenue Bonds, Series V-D-1	10/01/10	21,700,000	Varies	2024	7,810,000
General Obligation Bond, Series 2011 Bonds, Series VII-L-1	11/15/11	5,000,000	Varies	2032	5,000,000
Local Government Public Improvement Bonds, Series VII-M-1	05/29/14	8,525,000	Varies	2035	7,775,000
General Obligation Bond, Series 2015	05/29/15	11,225,000	Varies	2035	9,625,000
	Sub-total general obligation bonds				38,210,000
Note payable to USDA	06/02/16	1,000,000	0.00%	2026	759,259
Note payable to USDA	08/08/16	2,000,000	0.00%	2027	1,611,105
Note payable to USDA	11/16/17	1,000,000	0.00%	2028	944,440
	Sub-total notes payable				3,314,804
	Total business-type activities				$ 41,524,804

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2019

4. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	$ 170,825,000	$ -	$ 4,205,000	$ 166,620,000	$ 7,500,000
Premium	3,128,235	-	306,991	2,821,244	-
Total bonds payable	173,953,235	-	4,511,991	169,441,244	7,500,000
Compensated absences	789,892	637,278	590,735	836,435	591,000
Governmental activities long-term liabilities	$ 174,743,127	$ 637,278	$ 5,102,726	$ 170,277,679	$ 8,091,000
Business-Type Activities:					
Bonds Payable:					
General obligation bonds	$ 40,750,000	$ -	$ 2,540,000	$ 38,210,000	$ 2,245,000
Premium	278,227	-	47,762	230,465	-
Total bonds payable	41,028,227	-	2,587,762	38,440,465	2,245,000
Notes payable	3,703,699	-	388,895	3,314,804	444,444
Compensated absences	4,377,017	1,486,322	1,203,838	4,659,501	1,116,000
Business-type activities long-term liabilities	$ 40,108,043	$ 1,486,322	$ 4,180,495	$ 46,414,770	$ 3,805,444

The debt service requirements for the government's general obligation bonds and notes payable are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 7,500,000	$ 7,105,355	$ 2,689,444	$ 1,475,475	$ 10,189,444	$ 8,580,830
2021	8,050,000	6,771,589	2,789,444	1,374,628	10,839,444	8,146,217
2022	9,180,000	6,423,114	2,869,444	1,269,019	12,049,444	7,692,133
2023	9,610,000	6,021,574	2,979,444	1,173,361	12,589,444	7,194,935
2024	10,075,000	5,605,699	2,904,444	1,081,062	12,979,444	6,686,761
2025-2029	53,865,000	22,283,666	11,762,584	4,370,927	65,627,584	26,654,593
2030-2034	67,740,000	9,210,929	12,830,000	2,207,179	80,570,000	11,418,108
2035	600,000	18,000	2,700,000	111,970	3,300,000	129,970
	$ 166,620,000	$ 63,439,926	$ 41,524,804	$ 13,063,621	$ 208,144,804	$ 76,503,547

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

At June 30, 2019, the government had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
Governmental activities						
$19.27 M Swap	Pay fixed interest rate swap	Floating to fixed rate swap	$ 19,270,000	12/28/2001	6/1/2025	Pay 4.395% Receive 63.1% CMS LIBOR 5-year
$38.15 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 38,150,000	6/24/2004	6/1/2034	Pay 3.49% Receive 59.0% CMS LIBOR 5-year
$36.85 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 36,850,000	1/18/2006	6/1/2031	Pay 3.968% Receive 63.0% CMS LIBOR 5-year
Business-type activities						
$8.00 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 8,000,000	6/1/2006	6/1/2035	Pay 4.41% Receive 63.1% CMS LIBOR 5-year
$17 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 17,000,000	6/1/2002	6/1/2024	Pay 4.34% Receive 63.5% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2019, classified by type, and the changes in fair value of such derivative instrument from the year then ended as reported in the 2019 financial statements are as follows:

	Changes in Fair Value		Fair Value at 6/30/2019		6/30/2019 Notional
Type	Classification	Amount	Classification	Amount	Amount
Governmental activities					
Investment derivative - Pay fixed interest rate swaps: $19.27 M Swap	Investment loss	$ 268	Debt	$ (1,190,367)	$ 10,745,000
Investment derivative - Pay fixed interest rate swaps: $38.15 M Swap	Investment loss	$ 2,278,175	Debt	$ (10,115,203)	$ 38,150,000
Hedging derivative - Pay fixed interest rate swaps: $36.85 M Swap	Deferred Outflow of Resources	$ 83,051	Debt	$ (2,965,146)	$ 36,850,000
Business-type activities					
Hedging derivative - Pay fixed interest rate swaps: $8 M Swap	Deferred Outflow of Resources	$ 493,045	Debt	$ (2,814,288)	$ 8,000,000
Hedging derivative - Pay fixed interest rate swaps: $17 M Swap	Deferred Outflow of Resources	$ (30,323)	Debt	$ (738,884)	$ 8,025,000

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Position as either deferred inflows or deferred outflows. Three of the swap agreements described above met the effectiveness criteria, and therefore are classified as hedging derivatives. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported on the Statement of Activities in the period in which they occur. Two of the swap agreements described above did not meet the criteria to be classified as hedging derivatives, and therefore are classified as investment derivative instruments.

Derivative Swap Agreement Detail

Governmental Activities

During May 1999, the government issued $19,430,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series III-E-1 through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the government, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series III-E-1.

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 government requested the PBA, on its behalf, to enter into an interest rate swap in connection with $19.43 million of its Series III-E-1 variable-rate bonds. The intention of the swap was to effectively change the government's variable interest rate on the bonds to a synthetic fixed rate. The Series III-E-1 bonds have since been refunded with a portion of the proceeds of the Series VII-D-1 bonds, which in turn have been refunded by proceeds of the Series VII-L-1 bonds and the interest rate swap is now associated with the Series VII-L-1 bonds.

Terms. Under the swap, the PBA pays the counterparty a fixed payment of 4.395 percent and receives a variable payment computed as 63.10 percent 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 $19.43 million. The notional amount on the interest rate swap agreement will always be associated with hedge bonds. The related swap agreement matures on June 1, 2025. As of June 30, 2019, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.395%
Variable payment from counterparty	% of LIBOR	-1.307%
Net interest rate swap payments		3.088%
True interest costs		2.348%
Synthetic interest rate on bonds		5.436%

Fair value. As of June 30, 2019, the swap had a negative fair value of $(1,190,367). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Governmental Activities (Continued)

Credit risk. As of June 30, 2019, the government 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 becomes positive, the government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard and Poor's as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. As noted above, the swap exposes the government 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 rate on the bonds to be below 63.10% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap agreement 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 PBA 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 variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the PBA 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 PBA for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2020	$ 1,475,000	$ 249,407	$ 331,759	$ 2,056,166
2021	1,675,000	214,382	286,218	2,175,600
2022	1,760,000	174,887	234,501	2,169,388
2023	1,850,000	133,386	180,160	2,163,546
2024	1,945,000	89,762	123,040	2,157,802
2025	2,040,000	43,908	62,985	2,146,893
	$ 10,745,000	$ 905,732	$ 1,218,663	$ 12,869,395

During June 2004, the government issued $75,000,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series 2004 through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the government, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series 2004.

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Governmental Activities (Continued)

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 government requested the PBA, on its behalf, to enter into an interest rate swap in connection with $38.15 million of its Series 2004 variable-rate bonds. The intention of the swap was to effectively change the government's variable interest rate on the bonds to a synthetic fixed rate. $24.35 million of the Series 2004 bonds have since been refunded with a portion of the proceeds of the Series 2009B Bonds and the related portion of the interest rate swap is now associated with the Series 2009B bonds. Additionally, the remaining $13.8 million of the Series 2004 bonds have been refunded with a portion of the Series 2010A Bonds and the related portion of the interest rate swap is now associated with the Series 2010A Bonds.

Terms. Under the swap, the PBA pays the counterparty a fixed payment of 3.49 percent and receives a variable payment computed as 59 percent of the 5-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of $38.15 million and the associated variable-rate bond has a $38.15 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the related Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2034. As of June 30, 2019, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.490%
Variable payment from counterparty	% of LIBOR	-1.222%
Net interest rate swap payments		2.268%
True interest costs		2.348%
Synthetic interest rate on bonds		4.616%

Fair value. As of June 30, 2019, the swap had a negative fair value of ($10,115,203). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2019, the government 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 becomes positive, the government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard & Poor's as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3B/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Governmental Activities (Continued)

Basis risk. As noted above, the swap exposes the government to basis risk should the rate on the bonds increase to above 59% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 59% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap agreement 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 PBA 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 variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the PBA 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 PBA for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2020	$ -	$ 895,609	$ 865,059	$ 1,760,668
2021	-	895,609	865,059	1,760,668
2022	-	895,609	865,059	1,760,668
2023	-	895,609	865,059	1,760,668
2024	-	895,609	865,059	1,760,668
2025 - 2029	-	4,478,047	4,325,294	8,803,341
2030 - 2034	38,150,000	3,537,150	3,416,491	45,103,641
	$ 38,150,000	$ 12,493,242	$ 12,067,080	$ 62,710,322

During June 2004, the government issued $75,000,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series 2004 through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the government, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series 2004.

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 government requested the PBA, on its behalf, to enter into an interest rate swap in connection with $36.850 million of its Series 2004 variable-rate bonds. The intention of the swap was to effectively change the government's variable interest rate on the bonds to a synthetic fixed rate. $11.05 million of the Series 2004 bonds have since been refunded with a portion of the proceeds of the Series 2010A Bonds and the related portion of the interest rate swap is now associated with the Series 2010A Bonds. The remaining $25.8 million of the Series 2004 bonds have been refunded with a portion of the Series 2010B Bonds and the related portion of the interest rate swap is now associated with the Series 2010B Bonds.

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Governmental Activities (Continued)

Terms. Under the swap, the PBA pays the counterparty a fixed payment of 3.968 percent and receives a variable payment computed as 63 percent of the 5-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of $36.85 million and the associated variable-rate bond has a $36.85 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the related bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the SIFMA"). The bonds and the related swap agreement mature on June 1, 2031. As of June 30, 2019, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.968%
Variable payment from counterparty	% of LIBOR	-1.305%
Net interest rate swap payments		2.663%
True interest costs		2.348%
Synthetic interest rate on bonds		5.011%

Fair value. As of June 30, 2019, the swap had a negative fair value of $(2,965,146). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2019, the government 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 becomes positive, the government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard & Poor's as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. As noted above, the swap exposes the government to basis risk should the rate on the bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63% 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 PBA 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 variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the PBA 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 PBA for a payment equal to the swap's fair value.

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Governmental Activities (Continued)

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2020	$ -	$ 865,091	$ 981,183	$ 1,846,274
2021	-	865,091	981,183	1,846,274
2022	-	865,091	981,183	1,846,274
2023	-	865,091	981,183	1,846,274
2024	-	865,091	981,183	1,846,274
2025 - 2029	14,350,000	4,205,823	4,770,231	23,326,054
2030 - 2031	22,500,000	754,752	856,037	24,110,789
	$ 36,850,000	$ 9,286,030	$ 10,532,183	$ 56,668,213

Business-Type Activities

Under its loan agreement, the PBA, at the request of the Water Department Fund, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Public Improvement Bonds, Series A-2-E.

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 Water Department Fund requested the PBA, on its behalf, to enter into an interest rate swap in connection with $8 million of its Series A-2-E variable-rate bonds. The intention of the swap was to effectively change the Water Department Fund's variable interest rate on the bonds to a synthetic fixed rate. The Series A-2-E bonds have since been refunded with a portion of the proceeds of the Series VII-A-2 bonds and the interest rate swap is now associated with the Series VII-A-2 bonds.

Terms. Under the swap, the PBA pays the counterparty a fixed payment of 4.41 percent and receives a variable payment computed as 63.1 percent of the 5-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of $8 million along with the original associated variable-rate bonds. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-A-2 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2035. As of June 30, 2019, rates were as follows:

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Business-Type Activities (Continued)

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.410%
Variable payment from counterparty	% of LIBOR	-1.307%
Net interest rate swap payments		3.103%
True interest costs		2.718%
Synthetic interest rate on bonds		5.821%

Fair value. As of June 30, 2019, the swap had a negative fair value of $(2,814,288). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2019, the government 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 becomes positive, the government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "A3/BBB+" by Standard & Poor's as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. As noted above, the swap exposes the government 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 rate on the bonds to be below 63.10% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap agreement 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 PBA 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 variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the PBA 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 PBA for a payment equal to the swap's fair value.

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Business-Type Activities (Continued)

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2020	$ -	$ 217,408	$ 248,206	$ 465,614
2021	-	217,408	248,206	465,614
2022	-	217,408	248,206	465,614
2023	-	217,408	248,206	465,614
2024	-	217,408	248,206	465,614
2025 - 2029	500,000	1,085,908	1,239,735	2,825,643
2030 - 2034	6,050,000	692,875	791,026	7,533,901
2035	1,450,000	36,121	41,237	1,527,358
	$ 8,000,000	$ 2,901,944	$ 3,313,028	$ 14,214,972

During March 1999, the Electric Department Fund issued $17,000,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series II-A-1, through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the Electric Department Fund, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series II-A-1.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates, the Electric Department Fund requested the PBA, on its behalf, to enter into an interest rate swap in connection with $17 million of its Series II-A-1 variable-rate bonds. The intention of the swap was to effectively change the Electric Department Fund's variable interest rate on the bonds to a synthetic fixed rate. The Series II-A-1 bonds have since been refunded with a portion of the proceeds of the Series V-D-1 bonds and the interest rate swap is now associated with the Series V-D-1 bonds.

Terms. Under the swap, the PBA pays the counterparty a fixed payment of 4.34 percent and receives a variable payment computed as 63.50 percent 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 $17 million. The notional amount on the interest rate swap agreement will always be associated with hedge bonds. The related swap agreement matures on June 1, 2024. As of June 30, 2019, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.340%
Variable payment from counterparty	% of LIBOR	-1.609%
Net interest rate swap payments		2.731%
True interest costs		1.930%
Synthetic interest rate on bonds		4.661%

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Business-Type Activities (Continued)

Fair value. As of June 30, 2019, the swap had a negative fair value of $(738,884). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2019, the Electric Department Fund 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 becomes positive, the Electric Department Fund would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard & Poor's as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. As noted above, the swap exposes the Electric Department Fund to basis risk should the rate on the bonds increase to above 63.50% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the bond rate to be below 63.50% 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 PBA 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 variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the PBA 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 PBA for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2020	$ 1,445,000	$ 152,558	$ 209,996	$ 1,807,554
2021	1,520,000	124,549	170,363	1,814,912
2022	1,600,000	95,085	128,671	1,823,756
2023	1,685,000	64,068	81,233	1,830,301
2024	1,560,000	31,749	39,052	1,630,801
2025	-	3,804	-	3,804
	$ 7,810,000	$ 471,813	$ 629,315	$ 8,911,128

6. FAIR VALUE MEASUREMENTS

The government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The government has the following recurring fair value measurements as of June 30, 2019:

- $19.27M 63.1% CMS Swap III-E-1/VII-L-1 is valued using 5-year forward CMS / 3M Libor Zero Curve / A Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- $38.15M 59% CMS Swap 2004/Various is valued using 5-year forward CMS / 3M Libor Zero Curve / A Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- $36.85M 63% CMS Swap 2004/Various is valued using 5-year forward CMS / 3M Libor Zero Curve / A Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- $8M 63.1% CMS Swap A-2-E/VII-A-2 is valued using 5-year forward CMS / 3M Libor Zero Curve / A Rated General Obligation Curve/ LIBOR Swaption Volatility (Level 2 inputs)
- $17M 63.5% CMS Swap Rev II-A-1/Rev V-D-1 is valued using 5-year forward CMS / 3M Libor Zero Curve / AA Rated Muni Revenue Curve / LIBOR Swaption Volatility (Level 2 inputs)

7. LEASES

Electric Department Fund Distribution Facilities

The Electric Department Fund is party to certain agreements which provide for the joint use of the Department's distribution facilities by other utilities and certain customers. Rental revenue and expenses from these arrangements for the year ended June 30, 2019 were $1,565,645 and $105,286, respectively.

8. SELF-INSURANCE

The government self-insures the first $135,000 of annual medical claims for each regular full-time employee and participating health plan member. According to the reinsurance contract, the government's maximum aggregate annual liability for the period March 1, 2019 through February 29, 2020 will not exceed $5,805,545. This plan does not include employees of the government's Electric Department Fund.

The Electric Department Fund self-insures the first $85,000 of annual medical claims for each regular full-time employee. Liabilities for unpaid claims are estimated by the Department based on prior years' experience. During the year ended June 30, 2019, contributions totaling $1,680,000 were made to a reserve fund. Claims, fees and insurance premiums totaling $1,578,964 were paid from the reserve fund leaving an ending balance of $2,646,859. Management believes this reserve fund is adequate to cover unpaid claims existing at year end.

9. RETIREMENT PLANS

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)

General Information about the Pension Plan

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

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

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

Employees covered by benefit terms. The government's eligible employees include those who are not eligible to participate in the SEPP plan (discussed later). At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	178
Active employees	236
	454

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The government makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the actuarially determined contribution (ADC) for the City of Sevierville, Tennessee was $167,681; however, the government contributed $383,580 based on a rate of 3.5 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the government's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

9. RETIREMENT PLANS (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

Net Pension Liability (Asset)

Pension liabilities (assets) The government's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and Inflation) is developed for each major asset class. The best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	Target Allocation
U.S. equity	5.69%	31.00%
Developed market international equity	5.29%	14.00%
Emerging market international equity	6.36%	4.00%
Private equity and strategic lending	5.79%	20.00%
U.S. fixed income	2.01%	20.00%
Real Estate	4.32%	10.00%
Short-term securities	0.00%	1.00%
Total		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

9. RETIREMENT PLANS (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

Net Pension Liability (Asset) (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the government will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning balance*	$ 27,151,327	$ 30,070,870	$ (2,919,543)
Changes for the year:			
Service cost	849,582	-	849,582
Interest	2,001,077	-	2,001,077
Differences between expected and actual experience	(319,359)	-	(319,359)
Contributions - employer	-	762,094	(762,094)
Contributions - employees	-	544,353	(544,353)
Net investment income	-	2,516,166	(2,516,166)
Benefit payments, including refunds of employee contributions	(799,691)	(799,691)	-
Administrative expense	-	(22,297)	22,297
Net changes	1,731,609	3,000,625	(1,269,016)
Ending balance*	$ 28,882,936	$ 33,071,495	$ (4,188,559)

*The measurement date of the beginning balance was June 30, 2017 and the measurement date of the ending balance was June 30, 2018. The reporting date of the beginning balance is June 30, 2018 and the reporting date of the ending balance is June 30, 2019.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the government calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Government's net pension liability (asset)	$ 328,271	$ (4,188,559)	$ (7,875,188)

9. RETIREMENT PLANS (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2019, the government recognized pension expense (negative pension expense) of ($227,862).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 383,580	$ -
Differences between expected and actual experience	-	1,601,398
Net difference between projected and actual earnings on pension plan investments	-	169,973
Changes in assumptions	522,308	-
Total	$ 905,888	$ 1,771,371

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

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

Year Ended June 30:	
2020	$ (3,652)
2021	(212,617)
2022	(456,960)
2023	(252,675)
2024	(153,898)
Thereafter	(169,261)

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

Payable to the Pension Plan

At June 30, 2019, City of Sevierville reported a payable of $21,503 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

9. RETIREMENT PLANS (Continued)

Sevier County Electric System Employees' Pension Plan (SEPP)

General Information about the Pension Plan

Plan description. The governments defined benefit pension plan, Sevier County Electric System Employees' Pension Plan (SEPP), provides pensions for all eligible Electric Department Fund employees, including certain employees of the government who were formerly employed by the Electric Department Fund, who have completed three years of service and has attained the age of 24½. The Electric Department Fund's board of directors establishes and amends all benefit provisions. SEPP issues a publicly available financial report that can be obtained upon request at the Electric Department Fund's office.

Benefits provided. SEPP provides retirement, disability and death benefits. Normal retirement benefits for all participants are calculated as the sum of: a) 2.75 percent of the participant's average compensation multiplied by years of service not in excess of twenty; and b) 1.0 percent of the participant's average compensation multiplied by years of service, not in excess of ten, credited after the later of attainment of full early retirement date or completion of twenty years of service. Normal retirement age is the later of the participant's 62nd birthday or the date credited with ten years of vesting service. Early retirement age is the date the participant has both attained age 52 and has been credited with at least ten years of vesting service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit.

Benefit terms provide for annual cost-of-living adjustments to each participant's retirement allowance subsequent to the participant's retirement date. The annual adjustments are measured by the Consumer Price Index for the one year period ending on the preceding June 30. The percentage increase shall be limited to a maximum of 3 percent with regard to any such one-year period.

Employees covered by benefit terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Active employees	120
Terminated vested and disabled participants	13
Retirees	19
Total	152

Contributions. The Electric Department Fund has the authority to establish and amend the contribution requirements of the Electric Department Fund, the government and active employees. The Electric Department Fund establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Electric Department Fund and the government are required to contribute the difference between the actuarially determined rate and the mandatory contribution rate of employees. For the year ended June 30, 2019, the mandatory employee contribution rate was 4%, the Electric Department Fund's average contribution rate was 24.25%, and the government's average contribution rate was 22.57%.

Net Pension Liability

The government's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

9. RETIREMENT PLANS (Continued)

Sevier County Electric System Employees' Pension Plan (SEPP) (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	4.25 percent per annum
Investment rate of return	7.50 percent per annum

Mortality rates were based on the 2014 IRS Mortality Table (pre-retirement) and TCRS Mortality Table (post-retirement).

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined on the basis of an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments was determined using a modified building blocks methodology because the ability to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity - Large Cap	20.00%	6.52%
US Equity - Small/Mid Cap	20.00%	7.70%
Non-US Equity - Developed	12.00%	6.81%
US Corporate Bonds - Core	21.00%	2.10%
Non-US Debt - Developed	5.00%	0.00%
Non-US Equity - Emerging	8.00%	0.00%
US Treasuries (Cash Equivalents)	1.00%	0.79%
TIPS (Inflation Protected)	0.00%	1.74%
Real Estate	8.00%	0.00%
Hedge Funds	5.00%	3.80%
Total	100.00%	

Discount rate. The discount rate used to measure total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that government contributions will be equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of the projected benefit payments to determine the total pension liability.

9. RETIREMENT PLANS (Continued)

Sevier County Electric System Employees' Pension Plan (SEPP) (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning balance*	$ 45,075,592	$ 33,091,784	$ 11,983,808
Changes for the year:			
Service cost	919,057	-	919,057
Interest	3,198,659	-	3,198,659
Changes in benefit terms	-	-	-
Differences between expected and actual experience	2,659,058	-	2,659,058
Contributions - employer	-	2,370,127	(2,370,127)
Contributions - employees	-	301,081	(301,081)
Net investment income	-	3,613,963	(3,613,963)
Benefit payments, including refunds of employee contributions	(6,814,925)	(6,814,925)	-
Administrative expense	-	(26,938)	26,938
Net changes	(38,151)	(556,692)	518,541
Ending balance*	$ 45,037,441	$ 32,535,092	$ 12,502,349

* The measurement date of the beginning balance was June 30, 2017 and the measurement date of the ending balance was June 30, 2018. The reporting date of the beginning balance is June 30, 2018 and the reporting date of the ending balance is June 30, 2019.

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability of the government, calculated using the discount rate of 7.50 percent, as well as what the government's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Government's net pension liability	$ 18,346,389	$ 12,502,349	$ 7,536,135

Pension plan fiduciary net position. Plan investments are reported at fair value. Additional detailed information about the pension plan's fiduciary net position is available in the separately issued SEPP financial report.

9. RETIREMENT PLANS (Continued)

Sevier County Electric System Employees' Pension Plan (SEPP) (Continued)

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

For the year ended June 30, 2019, the government recognized pension expense of $1,776,464. At June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 2,294,600	$ -
Differences between expected and actual experience	4,273,357	555,370
Changes of assumptions	-	480,629
Net difference between projected and actual earnings on plan investments	-	989,233
Total	$ 6,567,957	$ 2,025,232

Amounts reported as deferred outflows of resources (excluding pensions contributions made after the measurement date) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	$ 500,624
2020	288,067
2021	(171,907)
2022	192,499
2023	449,886
Thereafter	988,956

Sevier County Electric System 401(k) Retirement Plan

The Electric Department Fund contributes to the Sevier County Electric System 401(k) Retirement Plan (401(k) plan), a defined contribution plan, for its eligible employees. Employees become eligible to participate after having completed six months of service and attained the age of 21. The 401(k) plan is administered by the Electric Department Fund's board of directors.

Benefit terms, including contribution requirements, for the 401(k) plan are established and may be amended by the Electric Department Fund's board of directors. Employees are permitted to make contributions to the

9. RETIREMENT PLANS (Continued)

Sevier County Electric System 401(k) Retirement Plan (Continued)

401(k) plan, up to applicable Internal Revenue Code limits. For each employee in the 401(k) plan, the Electric Department Fund matches the first three percent of the employee's contributions. For the year ended June 30, 2019, employee contributions totaled $415,175 and the Electric Department Fund recognized pension expense of $217,555 related to the 401(k) plan.

Employees are immediately vested in their own contributions, Electric Department Fund contributions and earnings on those contributions.

City of Sevierville Money Purchase Pension Plan

Certain employees of the government are members of the City of Sevierville Money Purchase Pension Plan, a defined contribution plan. Members consist of employees who participated in the plan prior to the adoption of the TCRS plan on July 1, 1996, and have chosen not to participate in the TCRS plan (approximately 8 employees). Employees are eligible for normal retirement upon reaching the age of sixty-two or the completion of five years of service, whichever is later. The plan is administered by ERISA Services, Inc., a third party administrator. The Board of Mayor and Alderman have authority for establishing or amending the Plan's provisions and contribution requirements. The employer is required to contribute 3.50% of covered payroll, and employees are not required to contribute. The employer contribution rate is the same for this plan as the government's required annual employer contribution rate for employees covered under the TCRS. Employees' interests fully vest after seven years of participation. Total contributions to the plan for the year ended June 30, 2019 was $12,701 and was recognized as pension expense.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

City of Sevierville Postemployment Benefit Plan

Plan Description

The government's defined benefit OPEB plan, City of Sevierville Postemployment Benefit Plan (SWS Plan), provides OPEB for certain employees of the government's Water and Sewer Department Fund who qualified for full early retirement under the Sevier County Electric System Employees' Pension Plan. SWS Plan is a single-employer defined benefit plan administered by the government. SWS Plan's provisions are established and may be amended by the Board of Mayor and Aldermen. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

SWS Plan provides medical, dental and prescription coverage benefits for retirees and their dependents. Benefits are provided by the government in which they pay up to the full premium, or the contribution cap of $13,000 a year for family coverage and $6,156 a year for single coverage.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

City of Sevierville Postemployment Benefit Plan (Continued)

Employees covered by benefit terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	6
Active employees	32
Total	38

SWS Plan is closed to new entrants.

Total OPEB Liability

The government's total OPEB liability of $855,800 was measured as of July 1, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.62 percent
Salary scale	2.50 percent
Healthcare cost trend rates	6.81 percent for fiscal year end 2018 (to reflect actual experience) then 6.00% for fiscal year end 2019, decreasing 0.50 percent per year to an ultimate rate of 5.00%.
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, using two-dimensional improvement scale MP-2018.
Actuarial cost method	Entry Age Actuarial Cost Method.

The discount rate has been set equal to 3.62% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2018.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to July 1, 2018.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

City of Sevierville Postemployment Benefit Plan (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance*	$ 967,000
Changes for the year:	
Service cost	19,000
Interest	33,700
Differences between expected and actuarial experience	21,400
Benefit payments	(80,800)
Assumption changes	(104,500)
Net changes	(111,200)
Ending balance*	$ 855,800

*The measurement date of the beginning balance was June 30, 2017 and the measurement date of the ending balance was June 30, 2018. The reporting date of the beginning balance is June 30, 2018 and the reporting date of the ending balance is June 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the government as of the measurement date calculated using the discount rate, as well as what the government's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage point higher (4.62 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Government's total OPEB liability	$ 906,300	$ 855,800	$ 807,100

Sensitivity of the total OPEB liability to changes in the healthcare trend rates

The following presents the total OPEB liability of the government as of the measurement date calculated using the healthcare cost trend rates, as well as what the employer's total OPEB liability would be if it were calculated using healthcare cost trend rate that are 1-percentage-point lower (5.81 percent decreasing to 4.00 percent) or 1-percentage point higher (7.81 percent decreasing to 6.00 percent):

	1% Decrease	Current trend rate	1% Increase
Government's total OPEB liability	$ 812,100	$ 855,800	$ 906,500

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

City of Sevierville Postemployment Benefit Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the government recognized OPEB expense of $51,000. At June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 91,680	$ -
Differences between expected and actual experience	19,000	-
Changes of assumptions	-	92,900
	$ 110,680	$ 92,900

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

Year ended June 30:	
2020	$ (9,200)
2021	(9,200)
2022	(9,200)
2023	(9,200)
2024	(9,200)
Thereafter	(27,900)

Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan

Plan Description

The Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (SCES Plan) is a single-employer public employee defined benefit plan established and administered by the Electric Department Fund. SCES Plan is used to provide postemployment benefits other than pensions for all permanent full-time employees of the Electric Department Fund.

Governance of SCES Plan is vested in the Electric Department Fund's Board of Directors, which consists of five members appointed by the government's Board of Mayor and Aldermen. Management of SCES Plan is vested with SCES Plan's Investment Committee. SCES Plan issues a publicly available financial report that can be obtained at the System's office.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)

Benefits provided

SCES Plan provides medical, dental and vision benefits for retirees and disabled employees, including their spouse and dependents, until reaching Medicare eligibility. These benefits are provided through the Electric Department Fund's self-insured health plan and the full cost of benefits is covered by SCES Plan. SCES Plan also provides an optional Medicare supplement plan for eligible SCES Plan participants. These benefits are provided through the Electric Department Fund's self-insured health plan and SCES Plan covers all costs incurred except that the participant is responsible to pay 25% of the quoted cost of a Medicare supplement plan for the participant offered by a third-party insurer and 100% of the quoted cost of a Medicare supplement plan for the spouse offered by a third-party insurer. SCES Plan also provides life insurance benefits for retirees and disabled employees. This benefit is provided through a third-party insurer, and the full cost is covered by SCES Plan. SCES Plan's benefit terms are established and may be amended by the Electric Department Fund's Board of Directors.

Employees covered by benefit terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	4
Active employees	87
Total	91

Contributions

The contribution requirements of the Electric Department Fund are established and may be amended by the Electric Department Fund's Board of Directors. SCES Plan is funded by employer contributions. The Electric Department Fund is currently funding actual benefits paid on a pay as you go basis. In addition, the Electric Department Fund occasionally makes discretionary contributions into the trust fund as cash flow permits. Although the contributions are being made into the trust, there is no requirement to do so. As a result, no actuarially determined contribution is calculated for the SCES Plan.

Net OPEB Liability

The Electric Department Fund's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increased	3.50 percent
Investment rate of return	7.50 percent
Healthcare cost trend rates	Medical: 9.00 percent for 2017, decreasing 1.00 percent per year to an ultimate rate of 5.00 percent for 2021 and later years Dental: 5.00 percent

Mortality rates were based on the RPH-2014 Total Dataset mortality table with mortality improvement projected by Scale MP-2016 on a generational basis.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial study for the period July 1, 2015 through July 1, 2017.

SCES Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on investments was determined using a modified building blocks methodology because the ability to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US Equity - Large Cap	36.00%	6.62%
US Equity - Small/Mid Cap	24.00%	7.83%
US Corporate Bonds - Core	28.00%	2.09%
US Corporate Bonds - High Yield	7.00%	4.30%
US Treasuries (Cash Equivalents)	5.00%	0.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB Plan liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the Electric Department Fund would continue to pay benefits as they come due and to make discretionary contributions annually to the Trust in the amount of $250,000. Based on those assumptions, SCES Plan's fiduciary net position was projected to be available to make all projected future benefit payment of current SCES Plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB Plan liability.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)

Change in the Net OPEB Liability

	Increase (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Beginning balance*	$ 4,645,974	$ 2,350,004	$ 2,295,970
Changes for the year:			
Service cost	92,176	-	92,176
Interest	341,563	-	341,563
Differences between expected and actual experience	174,814	-	174,814
Contributions - Employer	-	594,143	(594,143)
Net investment income	-	226,508	(226,508)
Benefit payments	(344,143)	(344,143)	-
Administrative expense	-	(2,100)	2,100
Net changes	264,410	474,408	(209,998)
Ending balance*	$ 4,910,384	$ 2,824,412	$ 2,085,972

*The measurement date of the beginning balance was June 30, 2017 and the measurement date of the ending balance was June 30, 2018. The reporting date of the beginning balance is June 30, 2018 and the reporting date of the ending balance is June 30, 2019.

Sensitivity of Net OPEB Liability Changes in the Discount Rate

The following presents the net OPEB liability of the Electric Department Fund calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Government's net OPEB liability	$ 2,597,439	$ 2,085,972	$1,636,903

Sensitivity of Net OPEB Liability Changes in Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Electric Department Fund calculated using the stated healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8%) decreasing to 4%) or 1-percentage-point higher (10% decreasing to 6%) than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Government's net OPEB liability	$ 1,663,228	$ 2,085,972	$ 2,575,625

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)

OPEB Plan Fiduciary Net Position

Plan investments are reported at fair value. Additional detailed information about SCES Plan's fiduciary net position is available in the separately issued SCES Plan financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Electric Department Fund recognized OPEB Plan expense of $71,978. At June 30, 2018, the Electric Department Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made subsequent to the measurement date	$ 800,000	$ -
Changes of assumptions	174,971	-
Differences between expected and actual experience	157,333	886,436
Net difference between projected and actual earnings on plan investments	-	76,098
Total	$ 1,132,304	$ 962,534

Amounts report as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (93,468)
2021	(93,468)
2022	(93,468)
2023	(81,502)
2024	(71,452)
Thereafter	(196,872)

11. LITIGATION

At June 30, 2019, several lawsuits are pending in which the City of Sevierville is involved. Government management and the government's legal counsel believe these suits will not result in any material unfavorable outcome to the government.

12. SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

The government has entered into a joint venture with Sevier County, Tennessee for the leasing, operation and management of a multi-use stadium facility and tourism welcome center located in Sevierville, Tennessee. The joint venture collects lease payments from the lessee for use of the stadium facility, parking lot and restaurant. The joint venture receives local and state sales tax collections pursuant to TCA 67-6-103(d) derived from the facility's events. The joint venture is responsible for the maintenance of the facility. The government has a 70% undivided interest in this joint venture.

For the year ended June 30, 2018, the joint venture's financial statements reflected net position totaling $2,935,196 and a change in net position of $183,712. Complete audited financial statements of Sevierville/Sevier County Joint Venture for the year ended June 30, 2018 (latest available) can be obtained from:

Lynn McClurg, Chief Financial Officer
City of Sevierville
P.O. Box 5500
Sevierville, TN 37864-5500

13. INTERFUND RECEIVABLES/PAYABLES

There were no interfund receivable/payable balances at June 30, 2019.

14. INTERFUND TRANSFERS

Operating transfers for the year ended June 30, 2019 are as follows:

	Transfers in:			
Transfers out:	General Fund	Capital Budget Fund	Central Business Improvement District Fund	Total
General Fund	$ -	$ 6,218,144	$ 3,616,454	$ 9,834,598
Water and Sewer Department Fund	59,719	-	-	59,719
Electric Department Fund	2,006,070	-	-	2,006,070
	$ 2,065,789	$ 6,218,144	$ 3,616,454	$ 11,900,387

The purpose of the transfer from the General Fund to the Capital Budget Fund was to fund capital outlay activity. The purpose of the transfer from the General Fund to the Central Business Improvement District was to fund debt service. The purpose of the transfers from the enterprise funds to the General Fund was for in-lieu-of tax payments.

15. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The government purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the last three years.

16. DEFERRED TAP REVENUE

Certain real estate developers were allowed to purchase future tap installations in advance prior to fees being increased. This revenue has been deferred and will be recognized when the taps are set.

17. OTHER RELATED ENTITIES

The government provides an operating contribution to the Sevier Economic Development Council, Inc. to assist the entity with its coordinating activities of attracting businesses and industries to Sevier County. The government has minority board representation on the entity's Board of Directors, but has no financial obligation other than its budgeted annual contribution.

The government participates in the Sevier Water Board, Inc. and has a minority representation on the entity's Board of Directors, however, the government's only financial obligation is direct debt reflected in the balance sheet of the government's Water Department.

The government participates in the Sevier Solid Waste, Inc. and has a minority representation on the entity's Board of Directors. The government has no financial obligation to this entity other than charges paid in connection with services provided.

18. PASS-THROUGH GRANT LOAN RECEIVABLE AND PAYABLES

The Electric Department Fund has received proceeds from three pass-through loans from a federal grant program administered by the U.S. Department of Agriculture. The federal program is Rural Economic Development Loans and Grants. The loan proceeds were passed through to two local business customers as notes receivable to assist with the renovation and expansion of their facility and to purchase equipment. The notes are receivable in monthly installments of $9,259 - $18,519 through November 2027, with no interest and are secured by letters of credit from local banks.

Future maturities of the notes receivable are as follows:

Fiscal Year	Receivable
2020	$ 444,444
2021	444,444
2022	444,444
2023	444,444
2024	444,444
2025-2028	1,055,558
	$ 3,277,778

Copies of the complete financial statements of the City for the current Fiscal Year are available at https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html.