

CITY OF SEVIERVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

Prepared by:
Finance Department

CITY OF SEVIERVILLE, TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION



December 21, 2015

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, 2015.

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 an unqualified opinion on these financial statements for the fiscal year ended June 30, 2015. 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 15,000. 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 2,000 professional, paraprofessional and auxiliary staff members. The Sevier County School System serves over 14,500 students in pre-kindergarten through twelfth grade with twenty-eight schools in the system.

During the past ten years, the Sevier County unemployment rate rose from a seasonal low of 3.1 percent (2006) to a decade high of 10.8 percent (2009). The Sevier County's unemployment rate as of June 2014 was 6.8 percent compared to 6.3 percent nationally and 7.4 percent for the state of Tennessee. The decrease in the unemployment rate during the current year reflects the rebounding 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 \$41,774; mean family income was \$53,541; average family size was 3.1; and median population age was 40.5. The median price of a single family home in the vicinity of the government was \$183,000 with an average household size of 2.66 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 despite the nation's sluggish economy. Growing hand in hand with Sevierville's tourism economy, new service facilities such as LeConte Medical Center and the King Family Public Library have enhanced the government's ability to meet the needs of its residential population. The completion of over 1,000 hotel rooms in 2008, the groundbreaking of new developments and seven 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. Currently, Highway 66, which serves as the main access road for our area, is undergoing a widening project to ease congestion. The first two phases are complete and have already alleviated some traffic congestion. Phase 3 of the Highway 66 widening project began in February 2012 and is estimated to be completed by June 2016. Improvements to the I-40 exit 407 interchange began on March 12, 2014. The project has an estimated completion date of December 2015. At the end of completion, this will be a diverging diamond interchange exit.

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 42 percent of fiscal year 2015 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 \$878,188 during the year ended June 30, 2015. 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 budgeted for 42 percent for 2014 and budgets 43 percent for 2015 to strengthen its ability to react to potential economic fluctuations. Beginning in 2014, the government 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 2015 Capital Improvement Program anticipates \$849,000 in general government expenditures, \$30,000 in the Solid Waste fund and \$7,980,000 in the water and sewer fund. Included in these appropriations are \$388,000 for traffic and road improvements and \$3,000,000 for a sewer treatment plant expansion.

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.

The 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, 2014. This was the second 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**

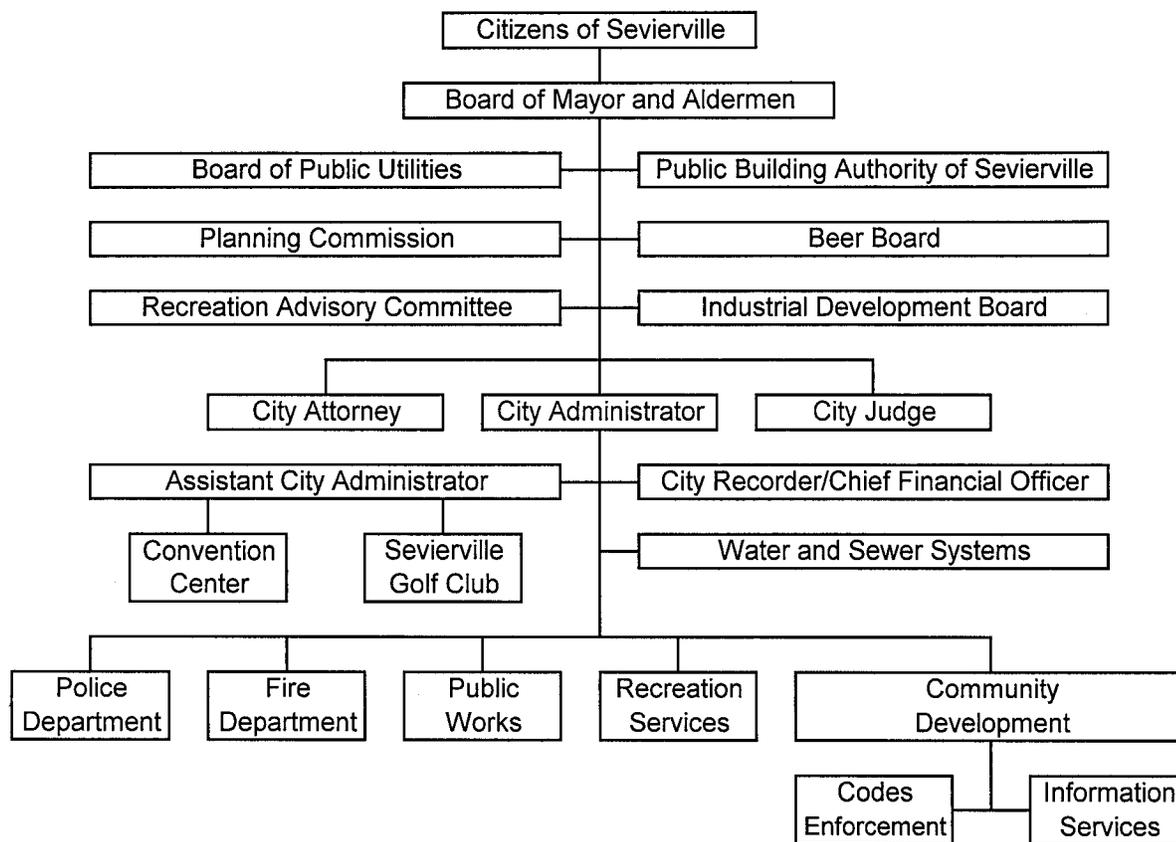
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF SEVIERVILLE, TENNESSEE

Organizational Chart and List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2015



Board of Mayor and Aldermen (Elected)

- | | | | |
|------------|--------------------|----------|--------------------|
| Mayor | - Bryan C. Atchley | Alderman | - Wayne Helton |
| Vice-Mayor | - Devin Koester | Alderman | - Travis McCroskey |
| Alderman | - Robbie Fox | Alderman | - Jim McGill |

City Officials (Appointed)

- | | |
|---------------------------------------|------------------|
| City Administrator | Russell Treadway |
| Assistant City Administrator | Tracy Baker |
| City Recorder/Chief Financial Officer | Lynn McClurg |
| City Judge | Lanning Wynn |
| City Attorney | Ed Owens |
| Development Director | Pamela Caskie |
| Police Chief | Don Myers |
| 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 | Richard Harrell |

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 8, the City of Sevierville, Tennessee has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note 8, which describes a restatement to decrease the beginning net position by \$718,543 in governmental activities and \$11,154,014 in business-type activities as shown on the Statement of Activities. This restatement was necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

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 76 through 81 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 is 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 21, 2015, 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 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 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 21, 2015

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, 2015. 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 \$195,254,445 (*net position*). Of this amount, \$33,103,924 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 \$10,109,779 from ongoing operations and decreased \$11,872,557 due to the cumulative effect of change in accounting principle from the government's adoption of GASB 68.
- At the close of the current fiscal year, the government's governmental funds reported combined fund balances of \$31,232,424, an increase of \$3,476,788 in comparison with the prior year. Approximately 43% of this amount (\$13,488,037) 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 committed, assigned, and unassigned components of fund balance) for the general fund was \$13,997,946, or approximately 43% of total fiscal year 2016 budgeted general fund expenditures.
- The government's total general obligation bonded debt decreased by \$4,495,000 during the current fiscal year, primarily due to debt retirement.

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, contingency reserve, 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 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 - 31 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 enterprise 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 32 - 35 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 36 - 75 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 assets and liabilities and its progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found on pages 76 - 81 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 on pensions and OPEB. This information can be found on pages 82 - 104 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 \$195,254,445, at the close of the most recent fiscal year.

City of Sevierville's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 45,833,504	\$ 41,585,986	\$ 69,226,166	\$ 65,276,785	\$ 115,059,670	\$ 106,862,771
Capital assets	177,666,231	180,091,499	206,377,352	205,276,965	384,043,583	385,368,464
Total assets	223,499,735	221,677,485	275,603,518	270,553,750	499,103,253	492,231,235
Total deferred outflows of resources	6,091,218	5,227,335	6,080,047	4,242,078	12,171,265	9,469,413
Long-term liabilities	198,390,723	194,601,222	69,224,829	48,626,699	267,615,552	243,227,921
Other liabilities	4,163,214	9,076,506	32,837,091	42,630,790	37,000,305	51,707,296
Total liabilities	202,553,937	203,677,728	102,061,920	91,257,489	304,615,857	294,935,217
Total deferred inflows of resources	10,419,315	9,748,208	984,901	-	11,404,216	9,748,208
Net investment in capital assets	(5,676,907)	(9,830,370)	156,543,979	152,410,713	150,867,072	142,580,343
Restricted	8,980,119	6,997,266	2,303,330	2,273,933	11,283,449	9,271,199
Unrestricted	13,314,489	16,311,988	19,789,435	28,853,693	33,103,924	45,165,681
Total net position	\$ 16,617,701	\$ 13,478,884	\$ 178,636,744	\$ 183,538,339	\$ 195,254,445	\$ 197,017,223

By far, the largest portion of the government's net position (77.3%) 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 (5.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33,103,924 (16.9%) is unrestricted.

The government's overall net position decreased \$1,762,778 from the prior fiscal year. This amount is made up of two parts: 1) current year increase in net position of \$10,109,779, and 2) an adjustment of (\$11,872,557) for the cumulative effect of change in accounting principle from the government's adoption of GASB 68. 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 \$3,857,360 from the prior fiscal year (as restated) for an ending net position balance of \$16,617,701. Factors affecting this result include debt service payments being less than budgeted, budget compliance and strong sales and hospitality tax revenue.

City of Sevierville's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,434,116	\$ 5,082,525	\$ 165,161,038	\$ 163,736,644	\$ 170,595,154	\$ 168,819,169
Operating grants and contributions	205,101	1,017,890	-	-	205,101	1,017,890
Capital grants and contributions	-	510,000	28,405	-	28,405	510,000
General revenues:						
Sales taxes	24,062,184	23,341,677	-	-	24,062,184	23,341,677
Other taxes	10,826,961	10,230,377	-	-	10,826,961	10,230,377
Other revenues	(1,393,917)	(233,868)	172,635	338,195	(1,221,282)	104,327
Total revenues	39,134,445	39,948,601	165,362,078	164,074,839	204,496,523	204,023,440
Expenses:						
General government	10,934,739	10,191,778	-	-	10,934,739	10,191,778
Public safety	9,907,103	9,313,909	-	-	9,907,103	9,313,909
Public works	5,042,884	6,130,079	-	-	5,042,884	6,130,079
Recreation	5,258,250	5,657,997	-	-	5,258,250	5,657,997
Contingency reserve	53,607	118,788	-	-	53,607	118,788
Community development	216,119	216,119	-	-	216,119	216,119
Interest on long-term debt	4,538,046	7,052,592	-	-	4,538,046	7,052,592
Debt administration - other	685,730	909,900	-	-	685,730	909,900
Water and Sewer Department	-	-	11,419,850	11,712,680	11,419,850	11,712,680
Electric Department	-	-	146,330,416	147,185,482	146,330,416	147,185,482
Total program expenses	36,636,478	39,591,162	157,750,266	158,898,162	194,386,744	198,489,324
Increase (decrease) in net position, before other items	2,497,967	357,439	7,611,812	5,176,677	10,109,779	5,534,116
Other items:						
Special items	-	105,662,209	-	-	-	105,662,209
Transfers	1,359,393	1,357,179	(1,359,393)	(1,357,179)	-	-
Total other items	1,359,393	107,019,388	(1,359,393)	(1,357,179)	-	105,662,209
Change in net position	3,857,360	107,376,827	6,252,419	3,819,498	10,109,779	111,196,325
Net position - beginning, as previously stated	13,478,884	(93,884,898)	183,538,339	179,718,841	197,017,223	85,833,943
Prior period adjustment	(718,543)	(13,045)	(11,154,014)	-	(11,872,557)	(13,045)
Net position - beginning, as restated	12,760,341	(93,897,943)	172,384,325	179,718,841	185,144,666	85,820,898
Net position - ending	\$ 16,617,701	\$ 13,478,884	\$ 178,636,744	\$ 183,538,339	\$ 195,254,445	\$ 197,017,223

Business-Type Activities. For the government's business-type activities, the results for the current fiscal year were positive in that overall change in net position increased by \$6,252,419. However the cumulative effect of the change in accounting principle for the adoption of GASB 68 caused a decrease of \$11,154,014 for an overall net position of \$178,636,744. The total decrease in net position for business-type activities was \$4,901,595 or 2.7% from the prior fiscal year (as restated). The water and sewer department saw an increase of 1,449 customers. The Electric activity charges increased \$1,306,065 over the previous year.

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, 2015, the government's governmental funds reported combined fund balances of \$31,232,424, an increase of \$3,476,788 in comparison with the prior year. Approximately 43% of this amount (\$13,488,037) 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 (\$111,895), 2) restricted for particular purposes (\$8,980,119), 3) committed to capital outlay (\$5,966,663) or 4) assigned for particular purposes (\$2,685,710).

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 \$13,488,037, while total fund balance increased to \$14,109,841. 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 42 percent of total fiscal year 2016 budgeted general fund expenditures, while total fund balance represents approximately 44 percent of that same amount.

The fund balance of the government's general fund increased by \$1,536,143 during the current fiscal year. The increase is due to a lower than anticipated interest expense. Also, the hospitality tax revenue exceeded budget estimates.

The Central Business Improvement District Fund, a major fund, had a \$1,379,463 increase in fund balance during the current fiscal year which put the overall fund balance at \$14,461,098. The fund reports restricted fund balance of \$8,494,435, restricted for debt service of long-term debt issued (and being repaid) by the Fund.

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 \$2,383,582 and for the electric department fund was \$17,405,853. Each fund had an increase in net position from ongoing operations of \$526,875 and \$5,725,544, respectively. However, the cumulative effect of the change in accounting principle for the adoption of GASB 68 caused a decrease of \$1,683,118 and \$9,470,896, respectively. The total change in net position for both funds was (\$1,156,243) and (\$3,745,352), respectively. The increase from operations for the water and sewer department fund results from an additional 1,449 sewer customers and an increase of 140,363 gallons over the previous year. Growth reported by the electric department fund results from rate increases across all rates for residential and commercial customers.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment related to bond refinancing in both the general fund and the water and sewer department fund, and additional revenue and appropriation for hospitality taxes and Chamber of Commerce allocation.

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, 2015 amounts to \$383,043,583 (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 decrease in capital assets for the current fiscal year was approximately 0.34%.

City of Sevierville's Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 55,421,859	\$ 55,332,618	\$ 7,381,148	\$ 7,381,148	\$ 62,803,007	\$ 62,713,766
Construction work in progress	3,515,408	3,817,292	7,843,697	6,638,202	11,359,105	10,455,494
Buildings	96,142,889	95,318,879	-	-	96,142,889	95,318,879
Infrastructure	50,415,169	49,855,420	-	-	50,415,169	49,855,420
Machinery, equipment, and vehicles	16,845,170	17,894,454	19,870,470	19,118,391	36,715,640	37,012,845
Water and sewer utility plant	-	-	98,963,961	96,490,870	98,963,961	96,490,870
Electric utility plant	-	-	195,423,372	190,074,817	195,423,372	190,074,817
Plant acquisition adjustments, net of amortization	-	-	50,432	63,879	50,432	63,879
Total capital assets	222,340,495	222,218,663	329,533,080	319,767,307	551,873,575	541,985,970
Less: accumulated depreciation	44,674,264	42,127,164	123,155,728	114,490,342	167,829,992	156,617,506
Net capital assets	\$ 177,666,231	\$ 180,091,499	\$ 206,377,352	\$ 205,276,965	\$ 384,043,583	\$ 385,368,464

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

- Various projects related to water and sewer department projects at a cost of \$2,473,091.
- Various projects related to electric department projects at a cost of \$6,295,553 for the electric distribution system.
- The purchase of various machinery and equipment at a cost of \$480,886.
- The purchase of various transportation equipment and vehicles at a cost of \$335,579.

Additional information on the government's capital assets can be found in Note 3 on pages 46 - 47 of this report.

Long-term debt. At the end of the current fiscal year, the government had a total bonded debt outstanding of \$227,990,000. All of this amount is debt backed by the full faith and credit of the government.

The government's total debt decreased by \$4,495,000 (1.93%) during the current year due to scheduled debt retirement.

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

Additional information on the government's long-term debt can be found in Note 4 on pages 48 - 49 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 2015-2016 fiscal year budget.

- The unemployment rate for Sevier County as of December 2014 is 6.9%, which is a decrease from one year ago, and is seen to be stabilizing.
- The housing market has seen some growth and investment. As the population stabilizes, the housing market is expected to stabilize as well.
- 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's population has seen an increase of an approximate 21% over the last ten years.
- The government implemented a new restaurant tax of 2% and an amusement tax of 2% effective July 1, 2013 that has brought additional revenue to the government for tourism advertising and tourism-related infrastructure expenses.
- Commercial development is favorable both inside and outside the tourist development zone and includes a 120,000 square foot shopping center, a fourteen screen movie theater and other retail businesses opening in fiscal year 2016.

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, 2015**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 13,158,310	\$ 33,739,896	\$ 46,898,206
Investments	8,511,111	11,228,894	19,740,005
Receivables:			
Property taxes, net of allowance of \$123,369	66,229	-	66,229
Customers, net of allowance of \$1,484,272	60,870	7,035,736	7,096,606
Other	1,247,034	591,861	1,838,895
Unbilled revenue	2,287,780	8,222,181	10,509,961
Due from other governments	3,545,577	-	3,545,577
Materials and supplies inventory	107,825	2,515,262	2,623,087
Prepays	4,070	-	4,070
Restricted assets:			
Cash and cash equivalents	5,788,145	53,666	5,841,811
Investments	3,422,260	2,250,000	5,672,260
Due from other governments	6,529,300	-	6,529,300
Total current assets	<u>44,728,511</u>	<u>65,637,496</u>	<u>110,366,007</u>
Non-current assets:			
Capital assets, not being depreciated:			
Land and improvements	55,421,859	7,381,148	62,803,007
Construction work in progress	3,515,408	7,843,697	11,359,105
Capital assets, being depreciated:			
Buildings and improvements	96,142,889	-	96,142,889
Infrastructure	50,415,169	-	50,415,169
Machinery and equipment	16,845,170	-	16,845,170
Utility plant	-	314,257,803	314,257,803
Less accumulated depreciation	(44,674,264)	(123,155,728)	(167,829,992)
Plant acquisition adjustments, at amortized cost	-	50,432	50,432
Total capital assets	<u>177,666,231</u>	<u>206,377,352</u>	<u>384,043,583</u>
Other non-current assets:			
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	2,691,818	2,691,818
Other investments	-	373,120	373,120
Regulatory assets, unamortized	-	378,872	378,872
Other	-	114,545	114,545
Net pension asset	1,104,993	30,315	1,135,308
Total non-current assets	<u>178,771,224</u>	<u>209,966,022</u>	<u>388,737,246</u>
Total assets	<u>223,499,735</u>	<u>275,603,518</u>	<u>499,103,253</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated decreases in fair value of hedging derivatives	5,221,779	4,348,149	9,569,928
Pension contributions made after the net pension liability measurement date	869,439	1,731,898	2,601,337
Total deferred outflows of resources	<u>6,091,218</u>	<u>6,080,047</u>	<u>12,171,265</u>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position (Continued)
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current liabilities:			
Payable from current assets:			
Accounts payable	\$ 965,944	\$ 12,958,909	\$ 13,924,853
Accrued liabilities	389,527	1,241,744	1,631,271
Accrued interest payable	-	125,386	125,386
Due to other governments	28,368	-	28,368
Reserve for health insurance claims	286,671	2,051,946	2,338,617
Other	-	454,250	454,250
Customer deposits, including interest of \$302,301	216,191	12,034,856	12,251,047
Non-current liabilities - due within one year	1,975,000	3,970,000	5,945,000
Payable from restricted assets:			
Due to others	279,004	-	279,004
Funds held in trust	22,509	-	22,509
Total current liabilities	<u>4,163,214</u>	<u>32,837,091</u>	<u>37,000,305</u>
Non-current liabilities:			
Due in more than one year	182,093,864	50,117,388	232,211,252
Derivative instruments - interest rate swaps	16,142,424	4,348,149	20,490,573
Net other postemployment benefit obligation	-	620,099	620,099
Net pension liability	154,435	11,433,273	11,587,708
Advances from Tennessee Valley Authority Residential Energy Services Program	-	2,705,920	2,705,920
Total non-current liabilities	<u>198,390,723</u>	<u>69,224,829</u>	<u>267,615,552</u>
Total liabilities	<u>202,553,937</u>	<u>102,061,920</u>	<u>304,615,857</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property tax revenue	2,287,780	-	2,287,780
Sales tax revenue	6,457,662	-	6,457,662
Differences between projected and actual earnings on pension plan investments	1,400,696	977,407	2,378,103
Differences between projected and actual pension plan actuarial experience	273,177	7,494	280,671
Total deferred inflows of resources	<u>10,419,315</u>	<u>984,901</u>	<u>11,404,216</u>
<u>NET POSITION</u>			
Net investment in capital assets	(5,676,907)	156,543,979	150,867,072
Restricted:			
Debt service	8,494,435	2,303,330	10,797,765
State street aid	240,129	-	240,129
Drug enforcement	245,555	-	245,555
Unrestricted	13,314,489	19,789,435	33,103,924
Total net position	<u>\$ 16,617,701</u>	<u>\$ 178,636,744</u>	<u>\$ 195,254,445</u>

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

CITY OF SEVIERVILLE, TENNESSEE

**Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 10,934,739	\$ 1,566,920	\$ -	\$ -	\$ (9,367,819)	\$ -	\$ (9,367,819)
Public safety	9,907,103	592,493	118,829	-	(9,195,781)	-	(9,195,781)
Public works	5,042,884	1,147,143	86,272	-	(3,809,469)	-	(3,809,469)
Recreation	5,258,250	2,127,560	-	-	(3,130,690)	-	(3,130,690)
Contingency reserve	53,607	-	-	-	(53,607)	-	(53,607)
Community development	216,119	-	-	-	(216,119)	-	(216,119)
Interest	4,538,046	-	-	-	(4,538,046)	-	(4,538,046)
Debt administration - other	685,730	-	-	-	(685,730)	-	(685,730)
Total governmental activities	36,636,478	5,434,116	205,101	-	(30,997,261)	-	(30,997,261)
Business-type activities:							
Water and Sewer Department	11,419,850	11,906,452	-	28,405	-	515,007	515,007
Electric Department	146,330,416	153,254,586	-	-	-	6,924,170	6,924,170
Total business-type activities	157,750,266	165,161,038	-	28,405	-	7,439,177	7,439,177
Total government	\$ 194,386,744	\$ 170,595,154	\$ 205,101	\$ 28,405	(30,997,261)	7,439,177	(23,558,084)
General revenues:							
Taxes:							
Sales taxes					24,062,184	-	24,062,184
Property taxes					2,385,143	-	2,385,143
Wholesale beer taxes					1,274,946	-	1,274,946
Privilege taxes					4,917,054	-	4,917,054
Business taxes					1,134,235	-	1,134,235
Other taxes					1,115,583	-	1,115,583
Interest earned					13,262	132,104	145,366
Loss on investment derivatives					(1,210,110)	-	(1,210,110)
Gain (loss) on disposal of capital assets					(347,619)	3,117	(344,502)
Miscellaneous					150,550	37,414	187,964
Transfers					1,359,393	(1,359,393)	-
Total general revenues and transfers					34,854,621	(1,186,758)	33,667,863
Change in net position					3,857,360	6,252,419	10,109,779
Net position - beginning, as previously stated					13,478,884	183,538,339	197,017,223
Cumulative effect of change in accounting principle (see Note 8)					(718,543)	(11,154,014)	(11,872,557)
Net position - beginning, as restated					12,760,341	172,384,325	185,144,666
Net position - ending					\$ 16,617,701	\$ 178,636,744	\$ 195,254,445

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

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,313,977	\$ 5,966,663	\$ 2,326,814	\$ 10,607,454
Investments	8,511,111	-	-	8,511,111
Receivables:				
Property taxes (less allowance for doubtful accounts of \$123,369)	66,229	-	-	66,229
Customers (less allowance for doubtful accounts of \$1,423)	60,870	-	-	60,870
Other	1,160,705	-	-	1,160,705
Unbilled property taxes	2,287,780	-	-	2,287,780
Due from other governments	3,545,577	-	-	3,545,577
Materials and supplies inventory	107,825	-	-	107,825
Prepaid items	4,070	-	-	4,070
Restricted assets:				
Cash and cash equivalents	244,355	5,072,175	471,615	5,788,145
Investments	-	3,422,260	-	3,422,260
Due from other governments	-	6,457,662	71,638	6,529,300
Total assets	\$ 18,302,499	\$ 20,918,760	\$ 2,870,067	\$ 42,091,326
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 779,871	\$ -	\$ 186,073	\$ 965,944
Accrued liabilities	389,527	-	-	389,527
Due to other funds	17,572	-	-	17,572
Due to other governments	28,368	-	-	28,368
Due to others	279,004	-	-	279,004
Customer deposits	216,191	-	-	216,191
Funds held in trust	-	-	22,509	22,509
Total liabilities	1,710,533	-	208,582	1,919,115
Deferred inflows of resources:				
Unavailable revenue - property taxes	2,287,780	-	-	2,287,780
Unavailable revenue - sales taxes	-	6,457,662	-	6,457,662
Unavailable revenue - sale of assets	194,345	-	-	194,345
Total deferred inflows of resources	2,482,125	6,457,662	-	8,939,787
Fund balances:				
Nonspendable:				
Inventories and prepaids	111,895	-	-	111,895
Restricted:				
Debt service	-	8,494,435	-	8,494,435
State street aid fund	-	-	240,129	240,129
Drug enforcement fund	-	-	245,555	245,555
Committed:				
Capital outlay	-	5,966,663	-	5,966,663
Assigned:				
Solid waste department	181,984	-	-	181,984
Golf club department	21,374	-	-	21,374
Convention center department	306,551	-	-	306,551
Capital outlay	-	-	2,175,801	2,175,801
Unassigned	13,488,037	-	-	13,488,037
Total fund balances	14,109,841	14,461,098	2,661,485	31,232,424
Total liabilities, deferred inflows of resources and fund balances	\$ 18,302,499	\$ 20,918,760	\$ 2,870,067	\$ 42,091,326

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, 2015**

Total fund balances - governmental funds		\$ 31,232,424
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$ 222,340,495	
Accumulated depreciation	<u>(44,674,264)</u>	177,666,231
The net pension asset is not an available resource and, therefore, is not reported in the funds.		1,104,993
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 (less \$105,289 interfund balances)	2,637,185	
Total liabilities (less \$105,289 interfund balances)	<u>(269,099)</u>	2,368,086
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.		(154,435)
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	(183,343,138)	
Compensated absences	(725,726)	
Derivative instruments - interest rate swaps	<u>(16,142,424)</u>	(200,211,288)
Certain deferred outflows of resources and deferred inflows of resources are not available resources and, therefore, are not reported in the funds:		
Accumulated decreases in fair value of hedging derivatives	5,221,779	
Pension contributions made after the net pension liability measurement date	869,439	
Unavailable revenue - sale of assets	194,345	
Differences between projected and actual earnings on pension plan investments	(1,400,696)	
Differences between projected and actual pension plan actuarial experience	<u>(273,177)</u>	4,611,690
Total net position--governmental activities		\$ <u>16,617,701</u>

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, 2015**

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
Revenues:				
Local taxes	\$ 25,467,166	\$ 2,372,101	\$ -	\$ 27,839,267
Licenses and permits	172,375	-	-	172,375
Intergovernmental revenue	2,142,545	5,164,911	477,203	7,784,659
Charges for services	4,292,437	-	-	4,292,437
Fines, forfeits and penalties	372,405	-	67,218	439,623
Other revenues	157,147	6,666	-	163,813
Total revenues	32,604,075	7,543,678	544,421	40,692,174
Expenditures:				
Current:				
General government	9,614,506	-	237,505	9,852,011
Public safety	9,515,091	-	36,713	9,551,804
Public works	4,005,148	-	318,046	4,323,194
Recreation	4,471,430	-	-	4,471,430
Contingency reserve	53,607	-	-	53,607
Debt service:				
Principal	7,132,873	-	-	7,132,873
Interest	1,266,289	5,187,355	-	6,453,644
Debt service charges	93,208	476,860	-	570,068
Bond issuance costs	115,662	-	-	115,662
Capital outlay:				
General government	98,966	-	558,854	657,820
Public safety	353,366	-	237,738	591,104
Public works	44,322	-	215,532	259,854
Recreation	27,640	-	277,851	305,491
Total expenditures	36,792,108	5,664,215	1,882,239	44,338,562
Excess (deficiencies) of revenues over (under) expenditures	(4,188,033)	1,879,463	(1,337,818)	(3,646,388)
Other financing sources (uses):				
Transfers in	1,359,393	-	1,899,000	3,258,393
Transfers out	(1,399,000)	(500,000)	-	(1,899,000)
Refunding bonds issued	5,680,000	-	-	5,680,000
Premium on refunding bonds issued	33,612	-	-	33,612
Proceeds from sale of capital assets	50,171	-	-	50,171
Total other financing sources (uses)	5,724,176	(500,000)	1,899,000	7,123,176
Net change in fund balances	1,536,143	1,379,463	561,182	3,476,788
Fund balance, beginning	12,573,698	13,081,635	2,100,303	27,755,636
Fund balances, ending	\$ 14,109,841	\$ 14,461,098	\$ 2,661,485	\$ 31,232,424

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, 2015**

Net change in fund balances - total governmental funds	\$	3,476,788
<p>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:</p>		
Depreciation expense	\$ (3,647,401)	
Capital outlays	<u>1,814,269</u>	(1,833,132)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		194,345
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.		(592,136)
<p>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:</p>		
Refunding bonds issued	(5,680,000)	
Premium on refunding bonds issued	(33,612)	
Principal paid on general obligation bonds	7,132,873	
Premium amortized	<u>1,915,598</u>	3,334,859
The decrease 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 loss on investment loss derivatives in the statement of activities.		(1,210,110)
<p>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:</p>		
Compensated absences	(57,498)	
Pension expense	<u>864,667</u>	807,169
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.		<u>(320,423)</u>
Change in net position of governmental activities	\$	<u>3,857,360</u>

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

CITY OF SEVIERVILLE, TENNESSEE

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, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Revenues:				
Local taxes:				
Property tax	\$ 2,326,097	\$ 2,326,097	\$ 2,326,007	\$ 2,258,473
Interest and penalties on property tax	20,000	20,000	56,350	36,976
In lieu of tax - property tax	2,745	2,745	2,787	2,678
Local sales tax	15,005,965	15,005,965	15,402,289	14,421,588
Wholesale beer tax	1,326,094	1,326,094	1,274,946	1,237,158
Business tax	1,193,458	1,193,458	1,134,235	1,073,237
Amusement privilege tax	288,750	288,750	235,487	247,823
Restaurant privilege tax	2,756,250	3,196,250	3,190,913	3,038,174
Natural gas franchise tax	203,494	203,494	225,035	198,169
Cable television franchise tax	126,007	126,007	128,464	122,115
Lodging privilege tax	1,466,888	1,466,888	1,458,933	1,362,130
Liquor privilege tax	23,623	23,623	22,325	20,933
Beer privilege tax	9,854	9,854	9,395	8,967
Total local taxes	24,749,225	25,189,225	25,467,166	24,028,421
Licenses and permits:				
Building permits	100,000	100,000	131,565	122,120
Other licenses and permits	35,150	35,150	40,810	33,873
Total licenses and permits	135,150	135,150	172,375	155,993
Intergovernmental revenue:				
Federal grants	152,760	152,760	92,181	159,594
In lieu of tax - Sevierville Housing Authority	25,000	25,000	23,365	25,134
State grants	5,000	5,000	8,648	288,858
State of Tennessee:				
Public safety salary supplement	55,800	55,800	18,000	48,600
Sales tax	1,073,508	1,073,508	1,121,433	1,057,901
Hall income tax	197,350	197,350	199,938	222,496
Beer tax	7,404	7,404	7,082	7,006
Mixed drink tax	157,463	157,463	142,584	143,298
City streets and transportation tax	30,354	30,354	30,206	30,302
Street maintenance contract	165,000	165,000	161,000	160,824
Telecommunications sales tax	1,400	1,400	1,449	1,515
TVA gross receipts tax	163,765	163,765	171,615	163,819
State excise tax	41,110	41,110	26,294	31,487
Sevier County, Tennessee:				
Fire department	45,000	45,000	48,750	47,750
School resource officers salary supplement	120,000	120,000	90,000	90,000
Total intergovernmental revenue	2,240,914	2,240,914	2,142,545	2,478,584

(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, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Revenues (continued):				
Charges for services:				
Police security	\$ 81,360	\$ 81,360	\$ 135,820	\$ 68,931
Solid waste fees	730,000	730,000	752,511	741,696
Convention center fees	1,053,212	1,053,212	1,192,825	1,206,951
Golf course fees	1,849,726	1,849,726	1,580,927	1,733,803
Community center fees	319,500	319,500	325,082	317,236
City park fees	160,500	160,500	153,194	139,801
Civic center rental fees	47,000	47,000	63,155	50,227
Other charges for services	81,948	81,948	88,923	113,557
Total charges for services	4,323,246	4,323,246	4,292,437	4,372,202
Fines, forfeits and penalty:				
City court fines and costs	170,000	170,000	141,393	117,196
Diversion filing	135,000	135,000	178,951	160,598
County court fines and costs	80,000	80,000	47,454	53,656
Offenders registration	1,000	1,000	200	1,050
Forfeits and seizures	20,000	20,000	4,407	6,000
Total fines, forfeits and penalties	406,000	406,000	372,405	338,500
Other revenues:				
Interest earnings	15,000	15,000	6,596	6,821
Rents and leases	68,266	68,266	68,241	76,041
Other miscellaneous revenue	67,010	67,010	82,310	93,529
Total other revenues	150,276	150,276	157,147	176,391
Total revenues	32,004,811	32,444,811	32,604,075	31,550,091
Expenditures:				
General government:				
Legislative board:				
Personal services	138,929	138,929	138,963	133,567
Contractual services	26,977	26,977	19,655	23,256
Supplies	1,000	1,000	175	625
Total legislative board	166,906	166,906	158,793	157,448
Legal services:				
Contractual services	215,900	215,900	205,143	182,484
Total legal services	215,900	215,900	205,143	182,484

(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, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
General government (continued):				
City administration:				
Personal services	\$ 660,428	\$ 660,428	\$ 667,115	\$ 650,269
Contractual services	72,905	72,905	40,863	26,488
Supplies	4,100	4,100	6,913	4,702
Fixed charges	-	-	-	35
Total city administration	<u>737,433</u>	<u>737,433</u>	<u>714,891</u>	<u>681,494</u>
City recorder/finance department:				
Personal services	1,179,289	1,179,289	1,155,027	1,169,095
Contractual services	199,627	199,627	197,696	204,298
Supplies	23,050	23,050	25,980	26,539
Fixed charges	101,800	101,800	1,035	60
Less expense reimbursements from proprietary fund	(868,329)	(868,329)	(868,108)	(851,328)
Total city recorder/finance department	<u>635,437</u>	<u>635,437</u>	<u>511,630</u>	<u>548,664</u>
Information services:				
Personal services	323,422	323,422	306,080	296,853
Contractual services	105,596	105,596	111,463	112,636
Supplies	1,400	1,400	1,449	1,881
Fixed charges	-	-	-	84
Capital outlay	70,000	70,000	70,891	38,615
Total information services	<u>500,418</u>	<u>500,418</u>	<u>489,883</u>	<u>450,069</u>
Engineering:				
Personal services	284,234	284,234	287,871	280,575
Contractual services	28,048	28,048	8,419	20,235
Supplies	5,450	5,450	3,511	3,153
Capital outlay	-	-	650	8,541
Total engineering	<u>317,732</u>	<u>317,732</u>	<u>300,451</u>	<u>312,504</u>
Planning and development:				
Personal services	242,011	242,011	230,270	222,456
Contractual services	44,349	44,349	55,525	49,634
Supplies	2,400	2,400	1,717	5,917
Capital outlay	-	-	-	1,698
Total planning and development	<u>288,760</u>	<u>288,760</u>	<u>287,512</u>	<u>279,705</u>

(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, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
General government (continued):				
Facilities management:				
Personal services	\$ 563,012	\$ 563,012	\$ 540,657	\$ 549,149
Contractual Services	4,356	4,356	2,683	3,140
Supplies	33,025	33,025	25,341	32,228
Capital outlay	-	-	-	3,880
Total facilities management	<u>600,393</u>	<u>600,393</u>	<u>568,681</u>	<u>588,397</u>
City Hall building:				
Contractual services	89,823	89,823	83,026	74,544
Supplies	4,300	4,300	3,910	3,496
Capital outlay	-	-	-	1,688
Total City Hall building	<u>94,123</u>	<u>94,123</u>	<u>86,936</u>	<u>79,728</u>
Sevierville Convention Center:				
Personal services	893,242	893,242	916,681	882,865
Contractual services	740,270	740,270	665,236	689,689
Supplies	29,558	29,558	49,862	34,311
Fixed charges	118,434	118,434	122,320	89,167
Capital outlay	43,875	43,875	27,425	31,091
Total Sevierville Convention Center	<u>1,825,379</u>	<u>1,825,379</u>	<u>1,781,524</u>	<u>1,727,123</u>
Contracts, grants and other special funding:				
Contractual services	3,400,304	3,840,304	3,504,706	3,026,731
Grants, contributions and other	257,000	257,000	255,008	270,383
Total contracts, grants and other special funding	<u>3,657,304</u>	<u>4,097,304</u>	<u>3,759,714</u>	<u>3,297,114</u>
Other general government:				
Personal services	4,500	4,500	11,961	3,253
Contractual services	266,887	266,887	245,405	219,863
Supplies	9,500	9,500	9,209	5,767
Fixed charges	663,588	663,588	581,739	588,938
Grants, contributions and other	-	-	-	200
Total other general government	<u>944,475</u>	<u>944,475</u>	<u>848,314</u>	<u>818,021</u>
Total general government	<u>9,984,260</u>	<u>10,424,260</u>	<u>9,713,472</u>	<u>9,122,751</u>

(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, 2015 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Public safety:				
Police:				
Personal services	\$ 5,257,668	\$ 5,257,668	\$ 5,309,159	\$ 5,049,984
Contractual services	218,377	218,377	188,885	160,575
Supplies	219,579	219,579	197,588	229,709
Fixed charges	928	928	1,398	1,047
Grants, contributions and other	35,006	35,006	25,387	29,399
Capital outlay	324,900	324,900	321,607	310,357
Total police	6,056,458	6,056,458	6,044,024	5,781,071
Traffic control and maintenance:				
Personal services	143,223	143,223	143,866	141,879
Contractual services	75,140	75,140	66,016	61,473
Supplies	81,500	81,500	81,674	91,151
Capital outlay	20,000	20,000	19,492	11,475
Total traffic control and maintenance	319,863	319,863	311,048	305,978
Reserve police:				
Personal services	-	-	-	15,160
Supplies	-	-	-	6,578
Total reserve police	-	-	-	21,738
Fire:				
Personal services	2,692,678	2,692,678	2,666,712	2,466,990
Contractual services	153,704	153,704	145,599	143,451
Supplies	155,321	155,321	180,792	143,671
Fixed charges	-	-	-	31
Capital outlay	96,116	96,116	12,267	36,658
Total fire	3,097,819	3,097,819	3,005,370	2,790,801
Codes enforcement:				
Personal services	491,907	491,907	497,731	490,936
Contractual services	27,443	27,443	6,258	7,239
Supplies	3,205	3,205	4,026	2,671
Total codes enforcement	522,555	522,555	508,015	500,846
Total public safety	9,996,695	9,996,695	9,868,457	9,400,434

(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, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Public works:				
Street:				
Personal services	\$ 966,924	\$ 966,924	\$ 929,546	\$ 907,002
Contractual services	317,684	317,684	314,223	307,910
Supplies	107,500	107,500	96,600	117,764
Building materials	351,250	351,250	305,557	358,254
Capital outlay	10,000	10,000	-	16,604
Total street	<u>1,753,358</u>	<u>1,753,358</u>	<u>1,645,926</u>	<u>1,707,534</u>
Fleet maintenance:				
Personal services	528,781	528,781	475,233	515,594
Contractual services	73,007	73,007	78,358	82,180
Supplies	403,012	403,012	307,500	373,635
Fixed charges	-	-	25	13
Capital outlay	-	-	-	1,455
Total fleet maintenance	<u>1,004,800</u>	<u>1,004,800</u>	<u>861,116</u>	<u>972,877</u>
Solid waste:				
Personal services	678,700	678,700	679,661	651,030
Contractual services	631,700	631,700	581,597	597,201
Supplies	232,500	232,500	235,140	225,285
Grants, contributions and other	-	-	1,708	1,629
Capital outlay	55,000	55,000	44,322	371,858
Total solid waste	<u>1,597,900</u>	<u>1,597,900</u>	<u>1,542,428</u>	<u>1,847,003</u>
Public transportation systems:				
Contractual services	-	-	-	549,532
Total public transportation systems	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,532</u>
Total public works	<u>4,356,058</u>	<u>4,356,058</u>	<u>4,049,470</u>	<u>5,076,946</u>
Recreation:				
Parks and recreation:				
Personal services	976,733	976,733	965,306	971,342
Contractual services	198,573	198,573	193,664	184,414
Supplies	153,325	153,325	147,222	194,649
Materials	6,950	6,950	6,225	6,489
Fixed charges	-	-	6	163
Capital outlay	20,500	20,500	20,140	38,702
Total parks and recreation	<u>1,356,081</u>	<u>1,356,081</u>	<u>1,332,563</u>	<u>1,395,759</u>

(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, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Recreation (continued):				
Community Center:				
Personal services	\$ 961,472	\$ 961,472	\$ 943,346	\$ 942,514
Contractual services	142,319	142,319	133,963	137,211
Supplies	92,700	92,700	96,379	95,318
Fixed charges	2,650	2,650	2,857	2,274
Other	13,100	13,100	9,398	9,219
Capital outlay	7,500	7,500	7,500	14,000
Total Community Center	<u>1,219,741</u>	<u>1,219,741</u>	<u>1,193,443</u>	<u>1,200,536</u>
Civic Center:				
Personal services	143,413	143,413	141,824	138,356
Contractual services	41,740	41,740	37,780	35,395
Supplies	8,200	8,200	8,312	16,913
Capital outlay	-	-	-	9,998
Total Civic Center	<u>193,353</u>	<u>193,353</u>	<u>187,916</u>	<u>200,662</u>
Sevierville Golf Club:				
Personal services	978,383	978,383	956,762	1,087,426
Contractual services	339,090	339,090	354,713	434,156
Supplies	410,616	410,616	411,473	505,408
Fixed charges	46,387	46,387	62,200	54,986
Capital outlay	75,250	75,250	-	-
Total Sevierville Golf Club	<u>1,849,726</u>	<u>1,849,726</u>	<u>1,785,148</u>	<u>2,081,976</u>
Total recreation	<u>4,618,901</u>	<u>4,618,901</u>	<u>4,499,070</u>	<u>4,878,933</u>
Contingency reserve fund:				
Reserve for contingencies	150,000	150,000	53,607	118,788
Total contingency reserve fund	<u>150,000</u>	<u>150,000</u>	<u>53,607</u>	<u>118,788</u>
Debt administration:				
Principal	1,445,000	7,052,950	7,132,873	3,760,000
Interest	1,382,636	1,382,636	1,266,289	1,430,152
Debt service charges	90,000	90,000	93,208	71,894
Bond issuance costs	-	115,663	115,662	20,290
Total debt administration	<u>2,917,636</u>	<u>8,641,249</u>	<u>8,608,032</u>	<u>5,282,336</u>
Total expenditures	<u>32,023,550</u>	<u>38,187,163</u>	<u>36,792,108</u>	<u>33,880,188</u>
Revenues over (under) expenditures	<u>(18,739)</u>	<u>(5,742,352)</u>	<u>(4,188,033)</u>	<u>(2,330,097)</u>

(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, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 1,427,161	\$ 1,427,161	\$ 1,359,393	\$ 1,357,179
Transfers out	(849,000)	(1,399,000)	(1,399,000)	(550,949)
Refunding bonds issued	-	5,680,000	5,680,000	2,300,000
Premium on refunding bonds issued	-	33,613	33,612	-
Proceeds from sale of capital assets	25,000	25,000	50,171	102,055
Total other financing sources (uses)	603,161	5,766,774	5,724,176	3,208,285
Net change in fund balances	584,422	24,422	1,536,143	878,188
Fund balance, beginning	12,573,698	12,573,698	12,573,698	11,695,510
Fund balance, ending	\$ 13,158,120	\$ 12,598,120	\$ 14,109,841	\$ 12,573,698

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

Central Business Improvement District Fund

The **Central Business Improvement District Fund** is used to account for state and local option sales tax diverted to fund debt service related to tourist development zone activities. The fund is also used to account for tourist development zone related bond issuance, related expenses, and transfers of bond funds as capital contribution to PBA fund construction of "qualified public use facilities."

CITY OF SEVIERVILLE, TENNESSEE
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Central Business Improvement District Fund
 For the Fiscal Year Ended June 30, 2015
 (With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	2015		Actual	2014
	Budgeted Amounts			
	Original	Final		
Revenues:				
Local taxes:				
Local sales taxes	\$ 2,435,416	\$ 2,435,416	\$ 2,372,101	\$ 2,365,447
Total local sales taxes	<u>2,435,416</u>	<u>2,435,416</u>	<u>2,372,101</u>	<u>2,365,447</u>
Intergovernmental revenue:				
State of Tennessee:				
Sales tax	<u>5,662,815</u>	<u>5,662,815</u>	<u>5,164,911</u>	<u>5,495,227</u>
Total intergovernmental revenue	<u>5,662,815</u>	<u>5,662,815</u>	<u>5,164,911</u>	<u>5,495,227</u>
Other revenues:				
Interest earnings	<u>10,000</u>	<u>10,000</u>	<u>6,666</u>	<u>7,597</u>
Total other revenues	<u>10,000</u>	<u>10,000</u>	<u>6,666</u>	<u>7,597</u>
Total revenues	<u>8,108,231</u>	<u>8,108,231</u>	<u>7,543,678</u>	<u>7,868,271</u>
Expenditures:				
Debt administration:				
Interest	6,875,000	6,875,000	5,187,355	6,279,023
Debt service charges	625,000	625,000	476,860	376,848
Bond issuance costs	-	-	-	440,868
Total debt administration	<u>7,500,000</u>	<u>7,500,000</u>	<u>5,664,215</u>	<u>7,096,739</u>
Total expenditures	<u>7,500,000</u>	<u>7,500,000</u>	<u>5,664,215</u>	<u>7,096,739</u>
Revenues over (under) expenditures	<u>608,231</u>	<u>608,231</u>	<u>1,879,463</u>	<u>771,532</u>
Other financing sources (uses):				
Transfers out	(6,466,663)	(6,466,663)	(500,000)	(500,000)
Refunding bonds issued	-	-	-	70,305,000
Premium on refunding bonds issued	-	-	-	6,238,273
Retirement of bonds	-	-	-	(75,000,000)
Total other financing sources (uses)	<u>(6,466,663)</u>	<u>(6,466,663)</u>	<u>(500,000)</u>	<u>1,043,273</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,858,432)</u>	<u>(5,858,432)</u>	<u>1,379,463</u>	<u>1,814,805</u>
Fund balance, beginning	<u>13,081,635</u>	<u>13,081,635</u>	<u>13,081,635</u>	<u>11,266,830</u>
Fund balance, ending	<u>\$ 7,223,203</u>	<u>\$ 7,223,203</u>	<u>\$ 14,461,098</u>	<u>\$ 13,081,635</u>

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

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, 2015

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 4,572,691	\$ 29,167,205	\$ 33,739,896	\$ 2,550,856
Investments:				
Unsegregated	-	8,428,894	8,428,894	-
Segregated for emergency and self-insured fund	-	2,800,000	2,800,000	-
Receivables:				
Customers (net of allowance for doubtful accounts of \$44,384 and \$1,438,465, respectively)	747,267	6,288,469	7,035,736	-
Other	-	591,861	591,861	86,329
Unbilled revenue	586,453	7,635,728	8,222,181	-
Due from other funds	-	-	-	105,289
Materials and supplies inventories	614,223	1,901,039	2,515,262	-
Restricted assets:				
Cash and cash equivalents	336	53,330	53,666	-
Investments	-	2,250,000	2,250,000	-
Total current assets	<u>6,520,970</u>	<u>59,116,526</u>	<u>65,637,496</u>	<u>2,742,474</u>
Non-current assets:				
Capital assets, not being depreciated:				
Land and land rights	427,269	6,953,879	7,381,148	-
Construction work in progress	5,126,522	2,717,175	7,843,697	-
Capital assets, being depreciated:				
Utility plant	110,880,675	203,377,128	314,257,803	-
Less accumulated depreciation	(37,510,278)	(85,645,450)	(123,155,728)	-
Plant acquisition adjustments, at amortized costs	-	50,432	50,432	-
Total capital assets	<u>78,924,188</u>	<u>127,453,164</u>	<u>206,377,352</u>	<u>-</u>
Other non-current assets:				
Tennessee Valley Authority Residential Energy Services Program receivable	-	2,691,818	2,691,818	-
Other investments	-	373,120	373,120	-
Regulatory assets, unamortized	-	378,872	378,872	-
Other	-	114,545	114,545	-
Net pension asset	30,315	-	30,315	-
Total non-current assets	<u>78,954,503</u>	<u>131,011,519</u>	<u>209,966,022</u>	<u>-</u>
Total assets	<u>85,475,473</u>	<u>190,128,045</u>	<u>275,603,518</u>	<u>2,742,474</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Accumulated changes in fair value of hedging derivatives	2,651,283	1,696,866	4,348,149	-
Pension contributions made after the net pension liability measurement date	372,375	1,359,523	1,731,898	-
Total deferred outflows of resources	<u>3,023,658</u>	<u>3,056,389</u>	<u>6,080,047</u>	<u>-</u>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position
Proprietary Funds (Continued)
June 30, 2015

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
<u>LIABILITIES</u>				
Current liabilities:				
Current maturities of long-term debt	\$ 1,765,000	\$ 1,180,000	\$ 2,945,000	\$ -
Compensated absences - current	125,000	900,000	1,025,000	-
Accounts payable	748,385	12,210,524	12,958,909	-
Accrued expenses	159,963	1,081,781	1,241,744	-
Accrued interest	88,386	37,000	125,386	-
Due to other funds	-	-	-	87,717
Reserve for health insurance claims	-	2,051,946	2,051,946	286,671
Revenues received in advance	454,250	-	454,250	-
Customer deposits, including interest of \$302,301	739,574	11,295,282	12,034,856	-
Total current liabilities	<u>4,080,558</u>	<u>28,756,533</u>	<u>32,837,091</u>	<u>374,388</u>
Non-current liabilities:				
Long-term debt, less current maturities	35,163,373	11,725,000	46,888,373	-
Compensated absences, less current portion	119,075	3,109,940	3,229,015	-
Derivative instrument - interest rate swap	2,651,283	1,696,866	4,348,149	-
Net other postemployment benefit obligation	152,000	468,099	620,099	-
Net pension liability	1,707,074	9,726,199	11,433,273	-
Advances from Tennessee Valley Authority Residential Energy Services Program	-	2,705,920	2,705,920	-
Total non-current liabilities	<u>39,792,805</u>	<u>29,432,024</u>	<u>69,224,829</u>	<u>-</u>
Total liabilities	<u>43,873,363</u>	<u>58,188,557</u>	<u>102,061,920</u>	<u>374,388</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Differences between projected and actual earnings on pension plan investments	238,877	738,530	977,407	-
Differences between projected and actual pension plan actuarial experience	7,494	-	7,494	-
Total deferred outflows of resources	<u>246,371</u>	<u>738,530</u>	<u>984,901</u>	<u>-</u>
<u>NET POSITION</u>				
Net position:				
Net investment in capital assets	41,995,815	114,548,164	156,543,979	-
Restricted for debt service	-	2,303,330	2,303,330	-
Unrestricted	<u>2,383,582</u>	<u>17,405,853</u>	<u>19,789,435</u>	<u>2,368,086</u>
Total net position	<u>\$ 44,379,397</u>	<u>\$ 134,257,347</u>	<u>\$ 178,636,744</u>	<u>\$ 2,368,086</u>

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

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenses, and Change in Net Position
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2015

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Water and Sewer Department Fund	Electric Department Fund	Total	
Operating revenues:				
Utility sales	\$ 10,836,521	\$ 150,532,656	\$ 161,369,177	\$ -
Other operating revenue	1,069,931	2,721,930	3,791,861	132,259
Medical, dental and childcare revenue	-	-	-	5,599,283
Total operating revenues	11,906,452	153,254,586	165,161,038	5,731,542
Operating expenses:				
Operations	6,021,585	4,923,826	10,945,411	5,921,439
Maintenance	46,524	6,807,459	6,853,983	-
Depreciation and amortization	3,134,459	6,766,732	9,901,191	-
Administrative and general	1,058,947	5,061,948	6,120,895	130,526
Purchased power	-	120,564,321	120,564,321	-
Payroll taxes	-	425,579	425,579	-
Total operating expenses	10,261,515	144,549,865	154,811,380	6,051,965
Operating income (loss)	1,644,937	8,704,721	10,349,658	(320,423)
Non-operating revenues (expenses):				
Interest income	137	131,967	132,104	-
Miscellaneous income	37,414	-	37,414	-
Interest expense	(935,434)	(502,878)	(1,438,312)	-
Bond issuance costs	(222,901)	-	(222,901)	-
Gain on disposal of assets	3,117	-	3,117	-
Intergovernmental - in lieu of tax	-	(1,277,673)	(1,277,673)	-
	(1,117,667)	(1,648,584)	(2,766,251)	-
Income (loss) before capital contributions and transfers	527,270	7,056,137	7,583,407	(320,423)
Capital contributions	28,405	-	28,405	-
Transfers out	(28,800)	(1,330,593)	(1,359,393)	-
Change in net position	526,875	5,725,544	6,252,419	(320,423)
Net position, beginning, as previously stated	45,535,640	138,002,699	183,538,339	2,688,509
Cumulative effect of change in accounting principal (see note 8)	(1,683,118)	(9,470,896)	(11,154,014)	-
Net position, beginning, as restated	43,852,522	128,531,803	172,384,325	2,688,509
Net position, ending	\$ 44,379,397	\$ 134,257,347	\$ 178,636,744	\$ 2,368,086

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, 2015

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Water and Sewer Department Fund	Electric Department Fund	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 11,953,990	\$ 154,053,052	\$ 166,007,042	\$ -
Cash received from employees, other participants and other funds	-	-	-	5,651,393
Cash payments to suppliers for goods and services	(4,681,159)	(129,350,450)	(134,031,609)	(552,490)
Cash payments to employees for services	(1,966,037)	(7,429,548)	(9,395,585)	-
Cash payments for claims	-	-	-	(5,366,428)
Net cash provided (used) by operating activities	5,306,794	17,273,054	22,579,848	(267,525)
Cash flows from noncapital financing activities:				
Cash payment for in-lieu of taxes	(28,800)	(2,608,266)	(2,637,066)	-
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	-	(10,607)	(10,607)	-
Increase in due to other funds	-	-	-	43,966
Net cash provided (used) by noncapital financing activities	(28,800)	(2,618,873)	(2,647,673)	43,966
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,057,001)	(7,136,912)	(11,193,913)	-
Refunding bonds issued	11,225,000	-	11,225,000	-
Premium on refunding bonds issued	279,950	-	279,950	-
Bond issuance costs	(222,901)	-	(222,901)	-
Principal paid on long-term debt	(13,142,127)	(1,125,000)	(14,267,127)	-
Interest paid	(1,227,890)	(472,435)	(1,700,325)	-
Capital contributions	28,405	-	28,405	-
Proceeds from sale of capital assets	3,117	-	3,117	-
Net cash used by capital and related financing activities	(7,113,447)	(8,734,347)	(15,847,794)	-
Cash flows from investing activities:				
Purchase of investments	-	(416,405)	(416,405)	-
Interest received on investments	137	131,967	132,104	-
Increase in due from other funds	-	-	-	(43,966)
Net cash provided (used) by investing activities	137	(284,438)	(284,301)	(43,966)
Net increase (decrease) in cash and cash equivalents	(1,835,316)	5,635,396	3,800,080	(267,525)
Cash and cash equivalents, beginning	6,408,343	23,585,139	29,993,482	2,818,381
Cash and cash equivalents, ending	\$ 4,573,027	\$ 29,220,535	\$ 33,793,562	\$ 2,550,856
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,644,937	\$ 8,704,721	\$ 10,349,658	\$ (320,423)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,134,459	6,959,067	10,093,526	-
Miscellaneous income	37,414	-	37,414	-
(Increase) decrease in assets and deferred outflows:				
Receivables	6,175	390,534	396,709	(62,577)
Unbilled revenues	(41,014)	-	(41,014)	-
Materials and supplies inventory	(22,365)	(145,566)	(167,931)	-
Other assets	-	(2,950)	(2,950)	-
Due from other funds	-	-	-	(17,572)
Net pension asset	(30,315)	-	(30,315)	-
Deferred outflow related to pension	16,317	728,013	744,330	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	450,583	534,402	984,985	-
Insurance claims reserve	-	269,944	269,944	133,047
Accrued expenses	123,949	36,180	160,129	-
Customer deposits	44,963	407,932	452,895	-
Compensated absences	23,056	240,152	263,208	-
Net other postemployment benefits obligation	37,000	244,328	281,328	-
Net pension liability	(364,736)	(1,832,233)	(2,196,969)	-
Deferred inflow related to pension plan	246,371	738,530	984,901	-
Net cash provided (used) by operating activities	\$ 5,306,794	\$ 17,273,054	\$ 22,579,848	\$ (267,525)

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

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Financial Statements (Continued)

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.

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 and advances to/from 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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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.

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. Entitlements 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 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 fund 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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

At June 30, 2015 the government had no encumbrances. Also, for the year ended June 30, 2015, 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, 2015 is recorded. The balance of the reserve account at June 30, 2015 is \$123,369.

At June 30, 2015, the government's 2015 property taxes were not scheduled to be billed until October 2015. Consequently, unbilled property taxes and deferred inflows of resources \$2,287,780 are recorded.

Inventories and Prepaid Items

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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

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 their estimated fair value at the date of donation.

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, 2015, 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:

<u>Description</u>	<u>Estimated Useful Lives</u>
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:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 – 50 years
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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

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 a future period(s) 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 a future period(s) 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 of resources. Pension contributions made after the net pension liability measurement date are also reported as deferred outflows 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 differences between projected and actual earnings on pension plan earnings and pension plan actuarial experience.

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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2015

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 Council 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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2015, 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, 2015. 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 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 \$3,476,372 at June 30, 2015. In the event of termination, employees forfeit all unused sick leave.

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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Other Accounting Policies (Continued)**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) 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.

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, 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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27" – This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The government adopted this Statement in the current fiscal year. See Note 8 for further explanation.

Statement No. 69, "Government Combinations and Disposals of Government Operations" – The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2013. This Statement has had no effect on the government.

Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68" – The provisions of this Statement are required to be applied simultaneously with the provision of Statement No. 68. The government adopted this Statement in the current fiscal year. See Note 8 for further explanation.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2015, cash, cash equivalents and investments consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Checking and savings accounts	\$ 46,898,206	\$ 5,750,733	\$ 52,648,939
Cash equivalents held in trust	<u>-</u>	<u>91,078</u>	<u>91,078</u>
Cash and cash equivalents	<u>\$ 46,898,206</u>	<u>\$ 5,841,811</u>	<u>\$ 52,740,017</u>
Tennessee Local Government Investment Pool	\$ 7,569,111	\$ 812,260	\$ 8,381,371
Certificates of Deposit	<u>12,170,894</u>	<u>4,860,000</u>	<u>17,030,894</u>
Investments	<u>\$ 19,740,005</u>	<u>\$ 5,672,260</u>	<u>\$ 25,412,265</u>

Government (excluding Electric Department Fund) – At June 30, 2015 the government's deposits with financial institutions were entirely covered by federal depository insurance or insured through the State of Tennessee Bank Collateral Pool.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20152. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Electric Department Fund – Cash on deposit with financial institutions at June 30, 2015 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.

Investment policies of the government follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

3. CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 55,332,618	\$ 89,241	\$ -	\$ 55,421,859
Construction work in progress	3,817,292	157,358	(459,242)	3,515,408
Total capital assets, not being depreciated	59,149,910	246,599	(459,242)	58,937,267
Capital assets, being depreciated:				
Buildings and improvements	95,318,879	824,010	-	96,142,889
Bridges	2,999,476	-	-	2,999,476
Street network	45,296,559	422,842	-	45,719,401
Traffic signals	1,559,385	136,907	-	1,696,292
Computers	584,650	77,937	(43,718)	618,869
Equipment	6,692,370	329,018	(493,701)	6,527,687
Furniture	669,906	4,484	(1,014)	673,376
Radios	504,193	1,697	-	505,890
Vehicles	9,443,335	230,017	(1,154,004)	8,519,348
Total capital assets, being depreciated	163,068,753	2,026,912	(1,692,437)	163,403,228
Less accumulated depreciation:				
Buildings and improvements	22,436,023	2,191,627	-	24,627,650
Bridges	716,522	37,398	-	753,920
Street network	6,574,988	287,641	-	6,862,629
Traffic signals	851,852	37,055	-	888,907
Computers	389,274	69,164	(43,066)	415,372
Equipment	4,528,679	529,124	(320,646)	4,737,157
Furniture	577,697	51,061	(2,708)	626,050
Radios	407,271	28,595	-	435,866
Vehicles	5,644,858	415,736	(733,881)	5,326,713
Total accumulated depreciation	42,127,164	3,647,401	(1,100,301)	44,674,264
Capital assets, being depreciated, net	120,941,589	(1,620,489)	(592,136)	118,728,964
Governmental activities capital assets, net	\$ 180,091,499	\$ (1,373,890)	\$ (1,051,378)	\$ 177,666,231

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,386,161
Public Safety	470,035
Public Works	731,438
Culture and Recreation	843,648
Community Development	216,119
Total depreciation expense	\$ 3,647,401

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

3. CAPITAL ASSETS (Continued)

Business-Type Activities	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land and land rights	\$ 7,381,148	\$ -	\$ -	\$ 7,381,148
Construction work in progress	6,638,202	1,205,495	-	7,843,697
Total capital assets, not being depreciated	14,019,350	1,205,495	-	15,224,845
Capital assets, being depreciated:				
Electric distribution system	190,074,817	6,295,553	946,998	197,317,368
Water and sewer plant	96,490,870	2,473,091	-	98,963,961
Machinery and equipment	8,426,509	480,886	-	8,907,395
Transportation equipment	6,443,180	335,579	210,768	6,989,527
Office furniture and fixtures	1,776,018	23,648	-	1,799,666
Other capital assets	2,472,684	122,734	-	2,595,418
Total capital assets, being depreciated	305,684,078	9,731,491	1,157,766	316,573,335
Less accumulated depreciation:				
Electric distribution system	74,283,192	6,612,502	1,257,586	82,153,280
Water and sewer plant	28,802,244	2,444,460	-	31,246,704
Machinery and equipment	4,850,184	434,014	-	5,284,198
Transportation equipment	4,482,718	297,456	157,106	4,937,280
Office furniture and fixtures	1,577,534	43,708	-	1,621,242
Other capital assets	494,470	247,938	-	742,408
Total accumulated depreciation	114,490,342	10,080,078	1,414,692	125,985,112
Capital assets, being depreciated, net	191,193,736	(348,587)	(256,926)	190,588,223
Business-type activities capital assets, net	\$ 205,213,086	\$ 856,908	\$ (256,926)	\$ 205,813,068

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

Water and Sewer Department Fund	\$ 3,134,459
Electric Department Fund	6,945,619
Total depreciation expense	\$ 10,080,078

CITY OF SEVIERVILLE, TENNESSEE
**Notes to the Financial Statements
June 30, 2015**
4. LONG-TERM LIABILITIES
General Obligation Bonds

The government issues general obligation bonds and general obligation revenue bonds to provide funds for the acquisition and construction of major capital facilities. 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 outstanding at June 30, 2015 are as follows:

<u>General Obligation Bonds</u>	<u>Issued</u>	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2015</u>
Governmental Activities:					
Local Government Public Improvement Bonds, Series VII-L-1	06/01/12	16,215,000	Varies	2025	\$ 15,270,000
General Obligation Bonds, Series 2012	06/29/12	1,060,000	Varies	2016	275,000
General Obligation Bonds, Series 2013	05/30/13	9,160,000	Varies	2035	9,160,000
Local Government Public Improvement Bonds, Series VII-M-1	05/01/14	2,300,000	Varies	2032	2,300,000
General Obligation Bonds, Series 2015	05/29/15	5,680,000	Varies	2032	5,680,000
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	25,000,000
Local Government Public Improvement Bonds, Series VII-O-1	05/01/14	45,305,000	Varies	2018	<u>45,305,000</u>
Total governmental activities					<u>\$ 178,590,000</u>
Business-Type Activities:					
General Obligation Bond, Series 2009	04/09/09	3,720,000	Varies	2016	\$ 300,000
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	12,905,000
General Obligation Bond, Series 2011	11/15/11	5,000,000	Varies	2032	5,000,000
Local Government Public Improvement Bonds, Series VII-L-1	06/01/12	800,000	Varies	2017	800,000
General Obligation Bond, Series 2012	06/29/12	4,745,000	Varies	2019	2,645,000
Local Government Public Improvement Bonds, Series VII-M-1	05/29/14	8,525,000	Varies	2035	8,525,000
General Obligation Bond, Series 2015	05/29/15	11,225,000	Varies	2035	<u>11,225,000</u>
Total business-type activities					<u>\$ 49,400,000</u>

CITY OF SEVIERVILLE, TENNESSEE
**Notes to the Financial Statements
June 30, 2015**
4. LONG-TERM LIABILITIES (Continued)
Current Refunding

The government issued \$16,905,000 in general obligation refunding bonds (Series 2015) with interest rates ranging from 2.00% to 5.00%. The proceeds of the bonds were used to refinance \$16,880,000 of outstanding Series VII-D-1 local government public improvement bonds which had rates ranging from 3.25% to 5.0%. The net proceeds of \$16,880,000 (including a \$313,563 premium and after payment of \$338,563 in underwriting fees and other issuance costs) were used to pay the outstanding principal and interest on the refunded bonds. The reacquisition price was equal to the net carrying amount of the old debt and there was no economic gain or loss on the transaction.

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 180,042,873	\$ 5,680,000	\$ 7,132,873	\$ 178,590,000	\$ 1,325,000
Premium	6,635,124	33,612	1,915,598	4,753,138	-
Total bonds payable	186,677,997	5,713,612	9,048,471	183,343,138	1,325,000
Compensated absences	668,228	706,345	648,847	725,726	650,000
Governmental activities long-term liabilities	<u>\$ 187,346,225</u>	<u>\$ 6,419,957</u>	<u>\$ 9,697,318</u>	<u>\$ 184,068,864</u>	<u>\$ 1,975,000</u>
Business-Type Activities:					
Bonds Payable:					
General obligation bonds	\$ 52,442,127	\$ 11,225,000	\$ 14,267,127	\$ 49,400,000	\$ 2,945,000
Premium	424,125	279,950	270,702	433,373	-
Total bonds payable	52,866,252	11,504,950	14,537,829	49,833,373	2,945,000
Compensated absences	3,990,807	1,287,724	1,024,516	4,254,015	1,025,000
Business-type activities long-term liabilities	<u>\$ 56,857,059</u>	<u>\$ 12,792,674</u>	<u>\$ 15,562,345</u>	<u>\$ 54,087,388</u>	<u>\$ 3,970,000</u>

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

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,325,000	\$ 6,121,311	\$ 2,945,000	\$ 1,464,527	\$ 4,270,000	\$ 7,585,838
2017	1,780,000	6,066,518	2,850,000	1,386,163	4,630,000	7,452,681
2018	47,420,000	5,835,096	2,855,000	1,312,181	50,275,000	7,147,277
2019	2,705,000	3,812,611	2,540,000	1,236,239	5,245,000	5,048,850
2020	3,775,000	3,747,711	2,245,000	1,165,487	6,020,000	4,913,198
2021-2025	23,880,000	17,488,743	11,440,000	4,710,851	35,320,000	22,199,594
2026-2030	42,250,000	14,523,952	11,485,000	3,233,452	53,735,000	17,757,404
2031-2035	55,455,000	4,252,033	13,040,000	1,290,558	68,495,000	5,542,591
	<u>\$ 178,590,000</u>	<u>\$ 61,847,975</u>	<u>\$ 49,400,000</u>	<u>\$ 15,799,458</u>	<u>\$ 227,990,000</u>	<u>\$ 77,647,433</u>

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20155. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

At June 30, 2015, the government had the following derivative instruments outstanding:

<u>Instrument</u>	<u>Type</u>	<u>Objective</u>	<u>Original Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
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 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% of LIBOR
\$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, 2015, classified by type, and the changes in fair value of such derivative instrument from the year then ended as reported in the 2015 financial statements are as follows:

<u>Type</u>	<u>Changes in Fair Value</u>		<u>Fair Value at 6/30/2015</u>		<u>6/30/2015 Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental activities					
Investment derivative - Pay fixed interest rate swaps: \$19.27 M Swap	Investment gain	\$ 132,039	Debt	\$ (2,315,137)	\$ 15,685,000
Investment derivative - Pay fixed interest rate swaps: \$38.15 M Swap	Investment loss	\$ (1,342,149)	Debt	\$ (8,605,508)	\$ 38,150,000
Hedging derivative - Pay fixed interest rate swaps: \$36.85 M Swap	Deferred Outflow of Resources	\$ 5,556	Debt	\$ (5,221,779)	\$ 36,850,000
Business-type activities					
Hedging derivative - Pay fixed interest rate swaps: \$8 M Swap	Deferred Outflow of Resources	\$ (163,602)	Debt	\$ (2,651,283)	\$ 8,000,000
Hedging derivative - Pay fixed interest rate swaps: \$17 M Swap	Deferred Outflow of Resources	\$ (269,673)	Debt	\$ (1,696,866)	\$ 13,120,000

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2015

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, 2015, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.395%
Variable payment from counterparty	% of LIBOR	<u>-1.123%</u>
Net interest rate swap payments		3.272%
True interest costs		<u>0.690%</u>
Synthetic interest rate on bonds		<u>3.962%</u>

Fair value. As of June 30, 2015, the swap had a negative fair value of \$(2,315,137). 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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20155. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)Derivative Swap Agreement Detail (Continued)**Governmental Activities (Continued)**

Credit risk. As of June 30, 2015, 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, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. 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, 2015, 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		Net	Total
	Principal	Interest	Interest Rate Swap Payment	
2016	\$ 920,000	\$ 108,227	\$ 513,185	\$ 1,541,412
2017	1,275,000	101,879	483,084	1,859,963
2018	1,340,000	93,081	441,369	1,874,450
2019	1,405,000	83,835	397,526	1,886,361
2020	1,475,000	74,141	351,557	1,900,698
2021 - 2025	9,270,000	198,203	939,830	10,408,033
	<u>\$ 15,685,000</u>	<u>\$ 659,366</u>	<u>\$ 3,126,551</u>	<u>\$ 19,470,917</u>

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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

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, 2015, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.490%
Variable payment from counterparty	% of LIBOR	-1.050%
Net interest rate swap payments		3.440%
True interest costs		<u>0.687%</u>
Synthetic interest rate on bonds		<u>3.127%</u>

Fair value. As of June 30, 2015, the swap had a negative fair value of (\$8,605,508). 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, 2015, 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, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard & Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

CITY OF SEVIERVILLE, TENNESSEE
**Notes to the Financial Statements
June 30, 2015**
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, 2015, 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		Net	Total
	Principal	Interest	Interest Rate Swap Payment	
2016	\$ -	\$ 262,217	\$ 930,784	\$ 1,193,001
2017	-	262,217	930,784	1,193,001
2018	-	262,217	930,784	1,193,001
2019	-	262,217	930,784	1,193,001
2020	-	262,217	930,784	1,193,001
2021 - 2025	-	1,311,085	4,653,919	5,965,004
2026 - 2030	-	1,311,085	4,653,919	5,965,004
2031 - 2034	38,150,000	795,243	2,822,849	41,768,092
	<u>\$ 38,150,000</u>	<u>\$ 4,728,498</u>	<u>\$ 16,784,607</u>	<u>\$ 59,663,105</u>

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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

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, 2015, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.968%
Variable payment from counterparty	% of LIBOR	<u>-1.121%</u>
Net interest rate swap payments		2.847%
True interest costs		<u>1.204%</u>
Synthetic interest rate on bonds		<u>4.051%</u>

Fair value. As of June 30, 2015, the swap had a negative fair value of \$(5,221,779). 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, 2015, 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, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard & Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. 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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20155. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)Derivative Swap Agreement Detail (Continued)**Governmental Activities (Continued)**

Swap payments and associated debt. As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain 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		Net	Total
	Principal	Interest	Interest Rate Swap Payment	
2016	\$ -	\$ 443,721	\$ 1,048,972	\$ 1,492,693
2017	-	443,721	1,048,972	1,492,693
2018	-	443,721	1,048,972	1,492,693
2019	-	443,721	1,048,972	1,492,693
2020	-	443,721	1,048,972	1,492,693
2021 - 2025	-	2,218,607	5,244,861	7,463,468
2026 - 2030	25,325,000	1,998,853	4,725,356	32,049,209
2031	11,525,000	138,776	328,071	11,991,847
	<u>\$ 36,850,000</u>	<u>\$ 6,574,841</u>	<u>\$ 15,543,148</u>	<u>\$ 58,967,989</u>

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, 2015, rates were as follows:

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20155. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)Derivative Swap Agreement Detail (Continued)**Business-Type Activities (Continued)**

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.410%
Variable payment from counterparty	% of LIBOR	<u>-1.123%</u>
Net interest rate swap payments		3.287%
True interest costs		<u>1.430%</u>
Synthetic interest rate on bonds		<u>4.717%</u>

Fair value. As of June 30, 2015, the swap had a negative fair value of \$(2,651,283). 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, 2015, 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, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard & Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. 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, 2015, 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	<u>Variable Rate Bonds</u>		Net	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swap Payment</u>	
2016	\$ -	\$ 114,400	\$ 262,946	\$ 377,346
2017	-	114,400	262,946	377,346
2018	-	114,400	262,946	377,346
2019	-	114,400	262,946	377,346
2020	-	114,400	262,946	377,346
2021 - 2025	-	572,000	1,314,728	1,886,728
2026 - 2030	1,600,000	564,850	1,298,294	3,463,144
2031 - 2035	6,400,000	285,285	655,721	7,341,006
	<u>\$ 8,000,000</u>	<u>\$ 1,994,135</u>	<u>\$ 4,583,473</u>	<u>\$ 14,577,608</u>

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)
Derivative Swap Agreement Detail (Continued)
Business-Type Activities (Continued)

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, 2015, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.340%
Variable payment from counterparty	% of LIBOR	<u>-1.130%</u>
Net interest rate swap payments		3.210%
True interest costs		<u>0.070%</u>
Synthetic interest rate on bonds		<u>3.280%</u>

Fair value. As of June 30, 2015, the swap had a negative fair value of \$(1,696,866). 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, 2015, 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, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. 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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Business-Type Activities (Continued)

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, 2015, 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		Net	Total
	Principal	Interest	Interest Rate Swap Payment	
2016	\$ 1,180,000	\$ 9,184	\$ 421,113	\$ 1,610,297
2017	1,240,000	8,358	383,238	1,631,596
2018	1,305,000	7,490	343,438	1,655,928
2019	1,370,000	6,577	301,551	1,678,128
2020	1,445,000	5,618	257,578	1,708,196
2021 - 2024	<u>6,580,000</u>	<u>11,813</u>	<u>541,637</u>	<u>7,133,450</u>
	<u>\$ 13,120,000</u>	<u>\$ 49,040</u>	<u>\$ 2,248,555</u>	<u>\$ 15,417,595</u>

6. 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, 2015 were \$1,501,081 and \$133,097, respectively.

7. SELF-INSURANCE

The government self-insures the first \$110,000 of annual medical claims for each regular full-time employee. According to the reinsurance contract, the government’s maximum aggregate annual liability for the period March 1, 2015 through February 28, 2016 will not exceed \$6,356,890. This plan also covers eligible employees of Sevierville Housing Authority and Sevier Solid Waste Authority. 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, 2015, contributions totaling \$1,680,000 were made to a reserve fund. Claims, fees and insurance premiums totaling \$1,410,056 were paid from the reserve fund leaving an ending balance of \$2,051,946. Management believes this reserve fund is adequate to cover unpaid claims existing at year end.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

8. 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/tcrs.

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

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, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	149
Active employees	<u>138</u>
	<u>388</u>

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, 2015, employer contributions for the government were \$865,761 based on a rate of 8.77 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 actuarially determined contribution (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.

Net Pension Liability (Asset)

The government's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

8. RETIREMENT PLANS (Continued)
Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)
Net Pension Liability (Asset) (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

8. 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 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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*	\$ 20,516,595	\$ 19,097,480	\$ 1,419,115
Changes for the year:			
Service cost	724,323	-	724,323
Interest	1,576,332	-	1,576,332
Differences between expected and actual experience	(315,755)	-	(315,755)
Contributions - employer	-	835,857	(835,857)
Contributions - employees	-	472,237	(472,237)
Net investment income	-	3,239,861	(3,239,861)
Benefit payments, including refunds of employee contributions	(446,307)	(446,307)	-
Administrative expense	-	(8,632)	8,632
Net changes	1,538,593	4,093,016	(2,554,423)
Ending balance*	\$ 22,055,188	\$ 23,190,496	\$ (1,135,308)

* The measurement date of the beginning balance was June 30, 2013 and the measurement date of the ending balance was June 30, 2014. The reporting date of the beginning balance is June 30, 2014 and the reporting date of the ending balance is June 30, 2015.

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 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Government's net pension liability (asset)	\$ 2,447,251	\$ (1,135,308)	\$ (4,056,814)

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

8. RETIREMENT PLANS (Continued)

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

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

Pension Income. For the year ended June 30, 2015, the government recognized pension income of \$17,449.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 280,671
Net difference between projected and actual earnings on pension plan investments	-	1,420,446
Contributions subsequent to the measurement date of June 30, 2014	<u>865,761</u>	<u>-</u>
Total	<u>\$ 865,761</u>	<u>\$ 1,701,117</u>

The amount shown above for "contributions subsequent to the measurement date of June 30, 2014" 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:

2016	\$ (390,195)
2017	(390,195)
2018	(390,195)
2019	(390,195)
2020	(35,084)
Thereafter	(105,252)

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

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

8. 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 June 30, 2014, the following employees were covered by the benefit terms:

Active employees	91
Terminated vested and disabled participants	7
Retirees	<u>9</u>
Total	<u>107</u>

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, 2015, the mandatory employee contribution rate was 5%, the Electric Department Fund's average contribution rate was 21.70%, and the government's average contribution rate was 20.36%. For the year ended June 30, 2014, the mandatory employee contribution rate was 5%, the Electric Department Fund's average contribution rate was 35.00%, and the government's average contribution rate was 21.94%.

Net Pension Liability

The System's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

8. 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, 2014 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 IRS 2014 Combined Static Mortality in the current year and on the IRS 2013 Combined Static Mortality for the prior year.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2014.

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 (10 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
Large Value	10%	11.30%
Large Growth	10%	10.63%
Mid Value	5%	13.37%
Mid Growth	5%	12.50%
Small Value	5%	12.37%
Small Growth	5%	10.85%
Foreign Large Blend	10%	7.44%
Market Neutral	10%	2.94%
Intermediate-Term Bond	8%	6.34%
Intermediate Government	4%	5.44%
Inflation-Protected Bond	4%	6.88%
Short-Term Bond	12%	4.69%
Bank Loan	8%	5.94%
Money Market/Cash	4%	2.94%
Total	<u>100%</u>	

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20158. RETIREMENT PLANS (Continued)Sevier County Electric System Employees' Pension Plan (SEPP) (Continued)Net Pension Liability (Continued)

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 System and 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.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Beginning balance*	\$ 32,769,307	\$ 18,992,955	\$ 13,776,352
Changes for the year:			
Service cost	884,956	-	884,956
Interest expense	2,417,195	-	2,417,195
Contributions - employer	-	2,487,053	(2,487,053)
Contributions - employee	-	323,006	(323,006)
Net investment income	-	2,684,379	(2,684,379)
Benefits paid	(1,099,953)	(1,099,953)	-
Plan administrative expenses	-	(3,643)	3,643
Net changes	<u>2,202,198</u>	<u>4,390,842</u>	<u>(2,188,644)</u>
Ending balance*	<u>\$ 34,971,505</u>	<u>\$ 23,383,797</u>	<u>\$ 11,587,708</u>

* The measurement date of the beginning balance was June 30, 2013 and the measurement date of the ending balance was June 30, 2014. The reporting date of the beginning balance is June 30, 2014 and the reporting date of the ending balance is June 30, 2015.

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability of the System, calculated using the discount rate of 7.50 percent, as well as what the System'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:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
System's net pension liability	\$ 16,461,245	\$ 11,587,708	\$ 7,472,574

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued SEPP financial report.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

8. 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, 2015, the System recognized pension expense of \$1,256,066. At June 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the net pension liability measurement date	\$ 1,735,576	\$ -
Differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>957,657</u>
Total	<u>\$ 1,735,576</u>	<u>\$ 957,657</u>

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:

2016	\$ (239,414)
2017	(239,414)
2018	(239,414)
2019	(239,415)

Cumulative Effect of Change in Accounting Principle

Effective July 1, 2014, the government adopted GASB Statements No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement 27" and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68." The standards change the accounting and reporting for pensions in governmental financial statements. The effect of the adoption of these standards has caused the government to restate its beginning net position by reporting a cumulative effect of change in accounting principle effective July 1, 2014. The new standards required the government to report in its financial statements net pension liability along with certain other potential financial statement elements (deferred outflows and deferred inflows of resources). Also, since the net pension liability measurement date is different than the reporting date, this gives rise to pension plan contributions from the government made after the measurement date to be reported as deferred outflows of resources. The following table describes the components of the resulting cumulative effect of change in accounting principle:

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

8. RETIREMENT PLANS (Continued)

Cumulative Effect of Change in Accounting Principle (Continued)

	Governmental Activities	Business-Type Activities		Total
		Water and Sewer Department Fund	Electric Department Fund	
Deferred outflows of resources:				
Pension contributions made subsequent to the measurement date of the beginning net pension liability:				
TCRS Plan	\$ 813,538	\$ 22,319	\$ -	\$ 835,857
SEPP Plan	33,144	366,373	2,087,536	2,487,053
Net pension liability:				
TCRS Plan	(1,381,222)	(37,893)	-	(1,419,115)
SEPP Plan	(184,003)	(2,033,917)	(11,558,432)	(13,776,352)
Cumulative effect of change in accounting principle	\$ (718,543)	\$ (1,683,118)	\$ (9,470,896)	\$ (11,872,557)

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 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, 2015, employee contributions totaled \$313,205 and the Electric Department Fund recognized pension expense of \$182,831 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 12 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 8.77% 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, 2015 was \$58,711 and was recognized as pension expense.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

9. OTHER POSTEMPLOYMENT BENEFITS

City of Sevierville Postemployment Benefit Plan

Plan Description

This plan is a single-employer defined benefit other postemployment benefit plan administered by the government. Benefits include medical, dental and prescription coverage and are available only to 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. The Plan's provisions are established and may be amended by the Board of Mayor and Aldermen. The Plan does not issue a stand-alone financial report.

Funding Policy

The government pays the cost of the postemployment medical, dental and life insurance premiums for retirees and their spouses 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. Coverage ceases upon the earlier of death or the attainment of Medicare eligibility (age 65). Spousal coverage ceases upon the earlier of the spouses Medicare eligibility, or 5 years after the employee attains Medicare eligibility (age 65). Spouse can elect to pay the full single premium for coverage after the 5 year threshold.

The contribution requirements of the government are established and may be amended by the Board of Mayor and Aldermen. Plan members are currently not required to contribute. The government pays all current plan benefits ("pay-as-you-go"). The government has no intention to make future contributions to a trust to offset the difference between current benefit payments and annual OPEB cost.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$ 89,000
Interest on Net OPEB Obligation	5,000
Net OPEB Obligation Adjustment	<u>(5,000)</u>
Annual OPEB Cost	89,000
Actual Contribution	<u>52,000</u>
Increase in Net OPEB Obligation	37,000
Net OPEB Obligation - Beginning of Year	<u>115,000</u>
Net OPEB Obligation - End of Year	<u><u>\$ 152,000</u></u>

The government's annual OPEB cost, the percentage of OPEB cost contributed, and the net OPEB obligation for the Plan for the current and two preceding years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 86,000	82.6%	\$ 89,000
6/30/2014	87,000	70.1%	115,000
6/30/2015	89,000	58.4%	152,000

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2015

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)
City of Sevierville Postemployment Benefit Plan (Continued)
Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Normal Cost (d)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (d)
7/1/2012	\$ -	\$ 1,147,000	\$ 1,147,000	0.0%	\$ 37,000	\$ 1,749,576	65.56%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, after this initial year, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The ARC for the plan's year was determined as part of the July 1, 2012 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Interest Rate	4.00%
2012 Medical Trend Rates	9.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached	2020
Amortization Method	Level dollar - open
Remaining Amortization Period	30 Years

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2015

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Plan Description

This Plan is a single-employer defined benefit healthcare plan administered by Electric Department Fund. The Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. The Electric Department Fund's Board has the authority to establish and amend benefit provisions.

A brief description of the Retiree Medical, Dental and Life Insurance Plan follows:

Type of Coverage

Medical: Self Insured Blue Preferred (PPO) Plan administered by Blue Cross Blue Shield of Tennessee.

Dental: Self Insured Dental Plan administered by Blue Cross Blue Shield of Tennessee.

Life Insurance: \$50,000 Group Life Insurance for retirees up to age 70 with Jefferson Pilot Life Insurance Company.

Eligibility

Age 52 with 84 points. Points being age plus years of service.

Cost Sharing

SCES pays single or, if married, family coverage for any employee who retires but is not eligible for Medicare benefits at the time. This coverage will cease when the employee and spouse are certified as being eligible for Medicare benefits. If the employee is eligible for Medicare and the spouse is not, SCES will carry the spouse up to 5 years. If the spouse is still not eligible for Medicare benefits at that time, the spouse may choose to keep the coverage and pay the cost.

Spouse Coverage

Yes

Surviving Spouse Coverage

Up to six months following the death of an employee.

Disability Coverage

SCES provides family coverage for an employee who has been declared disabled, while the disability continues for a period not exceeding thirty-six months. At the end of thirty-six months, SCES will provide individual coverage for the employee while the disability continues or until the employee becomes eligible for Primary Medicare benefits.

Funding Policy

The Electric Department Fund pays the cost of the postemployment medical, dental and life insurance premiums for retirees and their spouses while they are covered by the Plan. Surviving spouses of retirees may elect to continue coverage at their own expense. Substantially all of the Electric Department Fund's employees may become eligible for these benefits if they reach normal retirement age while working for the Electric Department Fund.

The contribution requirements of the Electric Department Fund are established and may be amended by the Electric Department Fund's Board. Plan members are currently not required to contribute. The Electric Department Fund pays all plan benefits currently and, in addition, is funding a trust to provide future benefit payments. During the year ended June 30, 2015, the Electric Department Fund paid no contributions to the trust. The Electric Department Fund intends to make future contributions to the trust to offset the difference between current benefit payments and annual OPEB cost.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements

June 30, 2015

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)**Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost is equal to the annual required contribution (ARC), determined by an actuarial valuation performed at July 1, 2014, plus interest on the net OPEB Obligation and the adjustment to the ARC. The end of the year net OPEB obligation is determined as follows:

Annual required contribution	\$ 322,959
Interest on the net OPEB obligation	16,783
Adjustment to annual required contribution	<u>(15,484)</u>
Annual OPEB cost (expense)	324,258
Contributions made	<u>79,930</u>
Increase in net OPEB obligation	244,328
Net OPEB obligation - beginning of year	<u>223,771</u>
Net OPEB obligation - end of year	<u>\$ 468,099</u>

The System's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2015 and the two preceding fiscal years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 407,716	94.1%	\$ 768,447
6/30/2014	432,256	226.0%	223,771
6/30/2015	324,258	24.7%	468,099

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b-a)/c)
7/1/2008	\$0	\$4,354,421	\$4,354,421	0.0%	\$ 6,342,718	68.7%
7/1/2011	\$0	\$3,428,504	\$3,428,504	0.0%	\$ 7,231,840	47.4%
7/1/2014	\$1,527,159	\$4,728,397	\$3,201,238	32.3%	\$ 6,188,603	51.7%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, after this initial year, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The ARC for the plan's year was determined as part of the July 1, 2011 actuarial valuation using the following methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Interest Rate	7.50%
2014 Medical Trend Rates	9.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached	2018
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	25.92 Years
General Inflation Rate	2.50%

10. LITIGATION

At June 30, 2015, 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.

11. 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, 2014, the joint venture's financial statements reflected net position totaling \$2,490,724 and a change in net position of \$6,392. Complete audited financial statements of Sevierville/Sevier County Joint Venture for the year ended June 30, 2014 (latest available) can be obtained from:

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

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

12. INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2015 are as follows:

Due From:	Due To:		Total
	Insurance Fund	Flexible Spending Fund	
General Fund	\$ 12,650	\$ 4,922	\$ 17,572
Flexible Spending Fund	87,717	-	87,717
	<u>\$ 100,367</u>	<u>\$ 4,922</u>	<u>\$ 105,289</u>

These amounts are related to short-term operational financing and are expected to be paid within the next twelve months.

13. INTERFUND TRANSFERS

Operating transfers for the year ended June 30, 2015 are as follows:

Transfers out:	Transfers in:			Total
	General Fund	Capital Budget Fund	PBA - Capital Budget Fund	
General Fund	\$ -	\$ 1,399,000	\$ -	\$ 1,399,000
Central Business Improvement District Fund	-	-	500,000	500,000
Water and Sewer Department Fund	28,800			28,800
Electric Department Fund	1,330,593	-	-	1,330,593
	<u>\$ 1,359,393</u>	<u>\$ 1,399,000</u>	<u>\$ 500,000</u>	<u>\$ 3,258,393</u>

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 Central Business Improvement District Fund to the PBA-Capital Budget Fund is to provide funding for capital outlay and infrastructure construction. The purpose of the transfers from the enterprise funds to the General Fund is for in-lieu-of tax payments.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2015**

14. 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.

15. 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.

16. 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.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2015, the date on which the financial statements were available to be issued.

Required Supplementary Information

Required supplementary information included in this section is a required part of the basic financial statements. The purpose of presenting this supplementary information is to provide additional analysis of the government's financial position and results of operations.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Changes in Government's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ended June 30

	<u>2014</u>
Total pension liability	
Service cost	\$ 724,323
Interest	1,576,332
Changes in benefit terms	-
Differences between actual and expected experience	(315,755)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(446,307)</u>
Net change in total pension liability	1,538,593
Total pension liability - beginning	<u>20,516,595</u>
Total pension liability - ending (a)	<u>\$ 22,055,188</u>
Plan fiduciary net position	
Contributions - employer	\$ 835,857
Contributions - employee	472,237
Net investment income	3,239,861
Benefit payments, including refunds of employee contributions	(446,307)
Administrative expense	<u>(8,632)</u>
Net change in plan fiduciary net position	4,093,016
Plan fiduciary net position - beginning	<u>19,097,480</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,190,496</u>
Net pension liability (asset) - ending (a)-(b)	<u>\$ (1,135,308)</u>
Plan fiduciary net position as a percentage of total pension liability	105.15%
Covered-employee payroll	\$ 9,444,718
Net pension liability (asset) as a percentage of covered-employee payroll	-12.02%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Government's Contributions Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 835,857	\$ 865,761
Contributions in relation to the actuarially determined contribution	<u>835,857</u>	<u>865,761</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,444,718	\$ 10,213,788
Contributions as a percentage of covered-employee payroll	8.85%	8.48%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Changes in Government's Net Pension Liability and Related Ratios Sevier County Electric System Employees' Pension Plan

Last Fiscal Year Ended June 30

	<u>2014</u>
Total pension liability	
Service cost	\$ 884,956
Interest	2,417,195
Changes in benefit terms	-
Differences between actual and expected experience	-
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,099,953)</u>
Net change in total pension liability	2,202,198
Total pension liability - beginning	<u>32,769,307</u>
Total pension liability - ending (a)	<u>\$ 34,971,505</u>
 Plan fiduciary net position	
Contributions - employer	\$ 2,487,053
Contributions - employee	323,006
Net investment income	2,684,379
Benefit payments, including refunds of employee contributions	(1,099,953)
Administrative expense	<u>(3,643)</u>
Net change in plan fiduciary net position	4,390,842
Plan fiduciary net position - beginning	<u>18,992,955</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,383,797</u>
 Net pension liability - ending (a)-(b)	<u>\$ 11,587,708</u>
 Plan fiduciary net position as a percentage of total pension liability	66.87%
 Covered-employee payroll	\$ 7,619,836
 Net pension liability as a percentage of covered-employee payroll	152.07%

Notes to Schedule:

Changes in benefit terms.

There have been no changes in benefit terms during the period.

Changes in assumptions.

There have been no changes in assumptions during the period.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Government's Contributions Sevier County Electric System Employees' Pension Plan

Last Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,982,165	\$ 1,754,047
Contributions in relation to the actuarially determined contribution	<u>2,810,059</u>	<u>2,067,534</u>
Contribution deficiency (excess)	<u>\$ (827,894)</u>	<u>\$ (313,487)</u>
Covered-employee payroll	\$ 7,619,836	\$ 7,837,178
Contributions as a percentage of covered-employee payroll	36.88%	26.38%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

Notes to Schedule - TCRS Plan

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

Notes to Schedule - SEPP Plan

Valuation date: Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial Methods and Assumptions:

Actuarial cost method	Individual Entry Age Normal, Level Percentage of Pay
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation	Fair value
Inflation	2.30 percent
Salary increases	7.50 percent
Investment Rate of Return	4.25 percent
Retirement age	15% at Full Early Retirement Date (age plus Service equals 84); 100% at Normal Retirement Date (Age 62)
Mortality	2014 IRS Static Mortality Table

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Funding Progress For the Fiscal Year Ended June 30, 2015

OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) -

City of Sevierville Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
7/1/2010	\$ -	\$ 1,306,000	\$ 1,306,000	0.00%	\$ 1,935,916	67.46%
7/1/2012	\$ -	\$ 1,147,000	\$ 1,147,000	0.00%	\$ 1,749,576	65.56%

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
7/1/2008	\$ -	\$ 4,354,421	\$ 4,354,421	0.00%	\$ 6,342,718	68.65%
7/1/2011	\$ -	\$ 3,428,504	\$ 3,428,504	0.00%	\$ 7,231,840	47.41%
7/1/2014	\$ 1,527,159	\$ 4,728,397	\$ 3,201,238	32.30%	\$ 6,188,603	51.73%

See independent auditor's report.

Other Supplementary Information

Other supplementary information included in this section is not a required part of the basic financial statements. The purpose of presenting this supplementary information is to provide additional analysis of the government's financial position and results of operations.

COMBINING FUND FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Special Revenue and Capital Projects Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects.

State Street Aid Fund – established to account for legally restricted state shared funds received from the State of Tennessee to be expended for street improvements.

Drug Enforcement Fund – established to account for all expenditures made through the Drug Enforcement Fund. Revenues are from fines and costs from drug related cases.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Budget Fund – established to account for all expenditures for the acquisition and construction of major assets of the government other than those financed by proprietary funds. The Capital Budget Fund is funded by transfers from the General Fund. Major projects include traffic signalization, street paving, equipment purchases and park improvements.

PBA Capital Budget Fund – was created to undertake responsibility to provide for construction, operation, and management of “qualified public use facilities” as determined by a government established Tourism Development Zone/Central Business District approved by the State of Tennessee.

CITY OF SEVIERVILLE, TENNESSEE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Enforcement Fund	Total	Capital Budget Fund	PBA - Capital Budget Fund	Total	
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 2,077,958	\$ 248,856	\$ 2,326,814	\$ 2,326,814
Restricted assets:							
Cash and cash equivalents	202,551	269,064	471,615	-	-	-	471,615
Due from other governments	71,638	-	71,638	-	-	-	71,638
Total assets	<u>\$ 274,189</u>	<u>\$ 269,064</u>	<u>\$ 543,253</u>	<u>\$ 2,077,958</u>	<u>\$ 248,856</u>	<u>\$ 2,326,814</u>	<u>\$ 2,870,067</u>
LIABILITIES AND FUND EQUITIES							
Liabilities:							
Accounts payable	\$ 34,060	\$ 1,000	\$ 35,060	\$ 111,673	\$ 39,340	\$ 151,013	\$ 186,073
Funds held in trust	-	22,509	22,509	-	-	-	22,509
Total liabilities	<u>34,060</u>	<u>23,509</u>	<u>57,569</u>	<u>111,673</u>	<u>39,340</u>	<u>151,013</u>	<u>208,582</u>
Fund equity:							
Restricted	240,129	245,555	485,684	-	-	-	485,684
Assigned	-	-	-	1,966,285	209,516	2,175,801	2,175,801
Total fund equity	<u>240,129</u>	<u>245,555</u>	<u>485,684</u>	<u>1,966,285</u>	<u>209,516</u>	<u>2,175,801</u>	<u>2,661,485</u>
Total liabilities and fund equity	<u>\$ 274,189</u>	<u>\$ 269,064</u>	<u>\$ 543,253</u>	<u>\$ 2,077,958</u>	<u>\$ 248,856</u>	<u>\$ 2,326,814</u>	<u>\$ 2,870,067</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2015

	State Street Aid Fund			Drug Enforcement Fund			Total Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Intergovernmental revenue	\$ 396,087	\$ 396,087	\$ 390,931	\$ -	\$ -	\$ -	\$ 396,087	\$ 396,087	\$ 390,931
Fines, forfeits and penalties	-	-	-	25,000	25,000	67,218	25,000	25,000	67,218
Other revenues	-	-	-	75,000	75,000	-	75,000	75,000	-
Total revenues	396,087	396,087	390,931	100,000	100,000	67,218	496,087	496,087	458,149
Expenditures:									
Contractual services	-	-	-	7,000	7,000	-	7,000	7,000	-
Supplies	-	-	-	8,000	8,000	8,000	8,000	8,000	8,000
Building materials	396,087	396,087	318,046	-	-	-	396,087	396,087	318,046
Grants, contributions and other	-	-	-	34,025	34,025	28,713	34,025	34,025	28,713
Capital outlay	-	-	-	20,000	20,000	-	20,000	20,000	-
Total expenditures	396,087	396,087	318,046	69,025	69,025	36,713	465,112	465,112	354,759
Revenues over (under) expenditures	-	-	72,885	30,975	30,975	30,505	30,975	30,975	103,390
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	72,885	30,975	30,975	30,505	30,975	30,975	103,390
Fund balances, beginning	167,244	167,244	167,244	215,050	215,050	215,050	382,294	382,294	382,294
Fund balances, ending	\$ 167,244	\$ 167,244	\$ 240,129	\$ 246,025	\$ 246,025	\$ 245,555	\$ 413,269	\$ 413,269	\$ 485,684

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Nonmajor Governmental Funds (Continued)
 For the Fiscal Year Ended June 30, 2015

	Capital Budget Fund			PBA - Capital Budget Fund			Total Capital Projects Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Intergovernmental revenue	\$ -	\$ -	\$ 86,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,272
Fines, forfeits and penalties	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
Total revenues	-	-	86,272	-	-	-	-	-	86,272
Expenditures:									
Contractual services	-	-	2,664	-	-	234,841	-	-	237,505
Supplies	-	-	-	-	-	-	-	-	-
Building materials	-	-	-	-	-	-	-	-	-
Grants, contributions and other	-	-	-	-	-	-	-	-	-
Capital outlay	849,000	1,399,000	1,211,554	6,466,663	6,466,663	78,421	7,315,663	7,865,663	1,289,975
Total expenditures	849,000	1,399,000	1,214,218	6,466,663	6,466,663	313,262	7,315,663	7,865,663	1,527,480
Revenues over (under) expenditures	(849,000)	(1,399,000)	(1,127,946)	(6,466,663)	(6,466,663)	(313,262)	(7,315,663)	(7,865,663)	(1,441,208)
Other financing sources (uses):									
Transfers in	849,000	1,399,000	1,399,000	6,466,663	6,466,663	500,000	7,315,663	7,865,663	1,899,000
Total other financing sources (uses)	849,000	1,399,000	1,399,000	6,466,663	6,466,663	500,000	7,315,663	7,865,663	1,899,000
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	271,054	-	-	186,738	-	-	457,792
Fund balances, beginning	1,695,231	1,695,231	1,695,231	22,778	22,778	22,778	1,718,009	1,718,009	1,718,009
Fund balances, ending	\$ 1,695,231	\$ 1,695,231	\$ 1,966,285	\$ 22,778	\$ 22,778	\$ 209,516	\$ 1,718,009	\$ 1,718,009	\$ 2,175,801

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Nonmajor Governmental Funds (Continued)
 For the Fiscal Year Ended June 30, 2015

	Total Nonmajor Governmental Funds		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenue	\$ 396,087	\$ 396,087	\$ 477,203
Fines, forfeits and penalties	25,000	25,000	67,218
Other revenues	75,000	75,000	-
Total revenues	496,087	496,087	544,421
Expenditures:			
Contractual services	7,000	7,000	237,505
Supplies	8,000	8,000	8,000
Building materials	396,087	396,087	318,046
Grants, contributions and other	34,025	34,025	28,713
Capital outlay	7,335,663	7,885,663	1,289,975
Total expenditures	7,780,775	8,330,775	1,882,239
Revenues over (under) expenditures	(7,284,688)	(7,834,688)	(1,337,818)
Other financing sources (uses):			
Transfers in	7,315,663	7,865,663	1,899,000
Total other financing sources (uses)	7,315,663	7,865,663	1,899,000
Revenues and other financing sources over (under) expenditures and other financing uses	30,975	30,975	561,182
Fund balances, beginning	2,100,303	2,100,303	2,100,303
Fund balances, ending	\$ 2,131,278	\$ 2,131,278	\$ 2,661,485

See independent auditor's report.

Internal Service Funds

Insurance Fund – to account for the operation of a medical and dental self-insurance fund covering virtually all full-time employees of the government and employees of Sevier Solid Waste Authority and Sevierville Housing Authority. The government operates under a self-insured retention and commercial insurance coverage purchases, with claims primarily administered by an outside agency.

Flexible Spending Fund – to account for the activity under the government’s Flexible Spending Plan. The Plan provides coverage for medical, dental and daycare expense through salary reduction of participating employees.

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Net Position Internal Service Funds June 30, 2015

	Insurance Fund	Flexible Spending Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,477,973	\$ 72,883	\$ 2,550,856
Other receivables	76,773	9,556	86,329
Due from other funds	<u>100,367</u>	<u>4,922</u>	<u>105,289</u>
Total assets	<u>2,655,113</u>	<u>87,361</u>	<u>2,742,474</u>
<u>LIABILITIES</u>			
Liabilities:			
Due to other funds	-	87,717	87,717
Reserve for health insurance claims	<u>286,671</u>	<u>-</u>	<u>286,671</u>
Total liabilities	<u>286,671</u>	<u>87,717</u>	<u>374,388</u>
<u>NET POSITION</u>			
Net position:			
Unrestricted	<u>2,368,442</u>	<u>(356)</u>	<u>2,368,086</u>
Total net position	<u>\$ 2,368,442</u>	<u>\$ (356)</u>	<u>\$ 2,368,086</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Revenues, Expenses, and Change in Net Position Internal Service Funds For the Fiscal Year Ended June 30, 2015

	Insurance Fund	Flexible Spending Fund	Total
Operating revenues:			
Premiums	\$ 5,599,283	\$ -	\$ 5,599,283
Other revenues	-	132,259	132,259
Total operating revenues	<u>5,599,283</u>	<u>132,259</u>	<u>5,731,542</u>
Operating expenses:			
Operations:			
Insurance claims	5,370,025	-	5,370,025
Insurance premiums	421,964	-	421,964
Medical, dental and childcare payments	-	129,450	129,450
Total operations	<u>5,791,989</u>	<u>129,450</u>	<u>5,921,439</u>
Administration:			
Commissions	33,333	-	33,333
Administrative services	97,193	-	97,193
Total administration	<u>130,526</u>	<u>-</u>	<u>130,526</u>
Total operating expenses	<u>5,922,515</u>	<u>129,450</u>	<u>6,051,965</u>
Change in net position	(323,232)	2,809	(320,423)
Net position, beginning	<u>2,691,674</u>	<u>(3,165)</u>	<u>2,688,509</u>
Net position, ending	<u>\$ 2,368,442</u>	<u>\$ (356)</u>	<u>\$ 2,368,086</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2015

	Insurance Fund	Flexible Spending Fund	Total
Cash flows from operating activities:			
Cash received from employees, other participants and other funds	\$ 5,523,865	\$ 127,528	\$ 5,651,393
Cash payments to suppliers for goods and services	(552,490)	-	(552,490)
Cash payments for claims	(5,236,978)	(129,450)	(5,366,428)
Net cash used by operating activities	(265,603)	(1,922)	(267,525)
Cash flows from noncapital financing activities:			
Increase in due to other funds	-	43,966	43,966
Net cash provided by noncapital financing activities	-	43,966	43,966
Cash flows from investing activities:			
Increase in due from other funds	(43,966)	-	(43,966)
Net cash used by investing activities	(43,966)	-	(43,966)
Net increase (decrease) in cash and cash equivalents	(309,569)	42,044	(267,525)
Cash and cash equivalents, beginning	2,787,542	30,839	2,818,381
Cash and cash equivalents, ending	\$ 2,477,973	\$ 72,883	\$ 2,550,856
Reconciliation of change in net position to net cash used by operating activities:			
Change in net position	\$ (323,232)	\$ 2,809	\$ (320,423)
Adjustments to reconcile change in net position to net cash used by operating activities:			
(Increase) decrease in other receivables	(62,768)	191	(62,577)
Increase in due from other funds	(12,650)	(4,922)	(17,572)
Increase in insurance claims reserve	133,047	-	133,047
Net cash used by operating activities	\$ (265,603)	\$ (1,922)	\$ (267,525)

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor Agency	Program Identification or Contract #	CFDA Number	Balance July 1, 2014 Receivable (Unexpended)	Receipts	Expenditures	Balance June 30, 2015 Receivable (Unexpended)
Federal Awards:						
U.S. Department of Transportation -						
GHSO Grant - PACE 2015	Z-15-GHS315	20.600	\$ -	\$ 31,122	\$ 34,151 (1)	\$ 3,029
GHSO Grant - PACE 2014	Z-14-GHS306	20.600	8,245	18,268	10,023 (1)	-
Urban and Community Forestry Grant	CG-11-14-2014	10.675	-	-	7,045	7,045
Total U.S. Department of Transportation			<u>8,245</u>	<u>49,390</u>	<u>51,219</u>	<u>10,074</u>
U.S. Department of Justice -						
Bulletproof Vest Program	2012	16.607	81	81	- (2)	-
Bulletproof Vest Program	2013	16.607	2,725	2,725	- (2)	-
Bulletproof Vest Program	2014	16.607	691	4,019	3,933 (2)	605
2012 COPS Hiring Program	2012ULWX0031	16.710	12,997	42,449	39,735	10,283
Organized Crime Drug Enforcement Task Force	SE-TNE-0245(H)	N/A	-	4,339	4,339	-
Total U.S. Department of Justice			<u>16,494</u>	<u>53,613</u>	<u>48,007</u>	<u>10,888</u>
Total Federal Awards			<u>24,739</u>	<u>103,003</u>	<u>99,226</u>	<u>20,962</u>
State Awards:						
Tennessee Department of Health -						
Child Passenger Safety Seat	N/A	N/A	(1,668)	9,658	8,648	(2,678)
Total State Awards			<u>(1,668)</u>	<u>9,658</u>	<u>8,648</u>	<u>(2,678)</u>
Total Federal and State Awards			<u>\$ 23,071</u>	<u>\$ 112,661</u>	<u>\$ 107,874</u>	<u>\$ 18,284</u>

Basis of Presentation: The accompanying Schedule of Expenditures of Federal and State Awards summarizes the expenditures of the government under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

(1) Total for CFDA No. 20.600 is \$44,174

(2) Total for CFDA No. 16.607 is \$3,933

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Long-Term Debt Principal and Interest Requirements
Governmental Activities
June 30, 2015**

Year Ending June 30,	\$16,215,000 Local Government Public Improvement Bonds Series VII-L-1 Variable (1)		\$1,060,000 General Obligation Bonds Series 2012 2.00% - 3.00%		\$9,160,000 General Obligation Bonds Series 2013 2.00% - 3.00%		\$2,300,000 Local Government Public Improvement Bonds Series VII-M-1 Variable (2)		\$5,680,000 General Obligation Bonds Series 2015 2.00% - 5.00%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 525,000	\$ 639,415	\$ 275,000	\$ 8,250	\$ 100,000	\$ 265,075	\$ 100,000	\$ 15,714	\$ 75,000
2017	1,255,000	594,604	-	-	100,000	263,075	100,000	15,028	75,000	180,118
2018	1,340,000	543,273	-	-	100,000	261,075	100,000	14,343	75,000	177,868
2019	1,405,000	489,195	-	-	100,000	259,075	100,000	13,657	100,000	175,618
2020	1,475,000	432,493	-	-	100,000	257,075	100,000	12,971	100,000	172,618
2021	1,675,000	372,893	-	-	100,000	255,075	100,000	12,285	100,000	167,618
2022	1,760,000	305,293	-	-	110,000	253,075	100,000	11,600	125,000	162,619
2023	1,850,000	234,263	-	-	100,000	250,875	100,000	10,914	150,000	160,119
2024	1,945,000	159,600	-	-	100,000	248,375	100,000	10,228	175,000	157,119
2025	2,040,000	81,105	-	-	125,000	245,875	100,000	9,543	175,000	152,963
2026	-	-	-	-	400,000	242,750	100,000	8,857	1,180,000	145,963
2027	-	-	-	-	1,000,000	231,750	100,000	8,171	530,000	110,563
2028	-	-	-	-	1,000,000	201,750	100,000	7,486	570,000	94,663
2029	-	-	-	-	1,000,000	171,750	250,000	6,714	485,000	77,563
2030	-	-	-	-	1,000,000	141,750	250,000	5,000	535,000	58,163
2031	-	-	-	-	1,000,000	111,750	250,000	3,286	590,000	40,776
2032	-	-	-	-	1,000,000	81,750	250,000	1,571	640,000	21,600
2033	-	-	-	-	550,000	51,750	-	-	-	-
2034	-	-	-	-	575,000	35,250	-	-	-	-
2035	-	-	-	-	600,000	18,000	-	-	-	-
	<u>\$ 15,270,000</u>	<u>\$ 3,852,134</u>	<u>\$ 275,000</u>	<u>\$ 8,250</u>	<u>\$ 9,160,000</u>	<u>\$ 3,846,900</u>	<u>\$ 2,300,000</u>	<u>\$ 167,368</u>	<u>\$ 5,680,000</u>	<u>\$ 2,238,578</u>

- (1) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for a portion of these bonds. The interest rate used for this calculation was 4.03291%, consisting of actual interest rate at June 30, 2015 of 0.686%, plus 4.395% (the fixed component of the interest rate swap agreement) less 1.048091% (63.1% CMS LIBOR 5-year rate at June 30, 2015).
- (2) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 0.68570%, the projected long-term rate at June 30, 2015.

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Long-Term Debt Principal and Interest Requirements
Governmental Activities (Continued)
June 30, 2015**

Year Ending June 30,	\$24,500,000 Local Government Public Improvement Bonds Series 2009B Variable (3)		\$25,000,000 Local Government Public Improvement Bonds Series 2010A Variable (4)		\$26,100,000 Local Government Public Improvement Bonds Series 2010B Variable (5)		\$25,000,000 Local Government Public Improvement Bonds Series VII-N-1 Variable (6)		\$45,305,000 Local Government Public Improvement Bonds Series VII-O-1 3.25% - 5.00%		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ -	\$ 779,185	\$ -	\$ 840,641	\$ -	\$ 1,138,090	\$ 250,000	\$ 204,529	\$ -	\$ 2,143,550	\$ 1,325,000
2017	-	779,185	-	840,641	-	1,138,090	250,000	202,482	-	2,143,550	1,780,000	6,156,773
2018	-	779,185	-	840,641	-	1,138,090	500,000	200,265	45,305,000	1,964,921	47,420,000	5,919,661
2019	-	779,185	-	840,641	-	1,138,090	1,000,000	195,830	-	-	2,705,000	3,891,291
2020	-	779,185	-	840,641	-	1,138,090	2,000,000	186,959	-	-	3,775,000	3,820,032
2021	-	779,185	-	840,641	-	1,138,090	2,350,000	170,345	-	-	4,325,000	3,736,132
2022	-	779,185	-	840,641	-	1,138,090	2,450,000	151,034	-	-	4,545,000	3,641,537
2023	-	779,185	-	840,641	-	1,138,090	2,550,000	130,906	-	-	4,750,000	3,544,993
2024	-	779,185	-	840,641	-	1,138,090	2,650,000	109,958	-	-	4,970,000	3,443,196
2025	-	779,185	-	840,641	-	1,138,090	2,850,000	88,123	-	-	5,290,000	3,335,525
2026	-	779,185	-	840,641	-	1,138,090	3,000,000	64,685	-	-	4,680,000	3,220,171
2027	-	779,185	-	840,641	-	1,138,090	3,150,000	40,019	-	-	4,780,000	3,148,419
2028	-	779,185	-	840,641	4,100,000	1,123,719	2,000,000	15,011	-	-	7,770,000	3,062,455
2029	-	779,185	-	840,641	10,500,000	927,279	-	-	-	-	12,235,000	2,803,132
2030	-	779,185	-	840,641	11,000,000	465,036	-	-	-	-	12,785,000	2,289,775
2031	-	779,185	11,125,000	807,381	500,000	20,097	-	-	-	-	13,465,000	1,762,475
2032	-	779,185	12,175,000	409,257	-	-	-	-	-	-	14,065,000	1,293,363
2033	11,075,000	749,848	1,700,000	49,800	-	-	-	-	-	-	13,325,000	851,398
2034	13,425,000	391,547	-	-	-	-	-	-	-	-	14,000,000	426,797
2035	-	-	-	-	-	-	-	-	-	-	600,000	18,000
	<u>\$ 24,500,000</u>	<u>\$ 14,387,540</u>	<u>\$ 25,000,000</u>	<u>\$ 13,876,053</u>	<u>\$ 26,100,000</u>	<u>\$ 16,193,211</u>	<u>\$ 25,000,000</u>	<u>\$ 1,760,146</u>	<u>\$ 45,305,000</u>	<u>\$ 6,252,021</u>	<u>\$ 178,590,000</u>	<u>\$ 62,582,201</u>

- (3) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for a portion of these bonds. The interest rate used for this calculation consists of two components: 1) interest on \$24,350,000 was 3.195714%, consisting of actual interest rate at June 30, 2015 of 0.685704%, plus 3.49% (the fixed component of the interest rate swap agreement) less 0.979990% (59% CMS LIBOR 5-year rate at June 30, 2015); and 2) interest on \$150,000 was 0.685704%.
- (4) Interest is payable at variable rates. The government has entered into two separate interest rate swap agreements for a portion of these bonds. The interest rate used for this calculation consists of three components: 1) interest on \$11,050,000 was 3.607274%, consisting of actual interest rate at June 30, 2015 of 0.685704%, plus 3.968% (the fixed component of the interest rate swap agreement) less 1.04643% (63% CMS LIBOR 5-year rate at June 30, 2015); 2) interest on \$13,800,000 was 3.195714%, consisting of actual interest rate at June 30, 2015 of 0.685704%, plus 3.49% (the fixed component of the swapped interest rate) less 0.979990% (59% CMS LIBOR 5-year rate at June 30, 2015); and 3) interest on \$150,000 was 0.685704%.
- (5) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for a portion of these bonds. The interest rate used for this calculation consists of two components: 1) interest on \$25,800,000 was 4.34509%, consisting of actual interest rate at June 30, 2015 of 1.42352%, plus 3.968% (the fixed component of the interest rate swap agreement) less 1.04643% (63% CMS LIBOR 5-year rate at June 30, 2015); and 2) interest on \$300,000 was 1.42352%.
- (6) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 0.81880%, the current rate at June 30, 2015.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Long-Term Debt Principal and Interest Requirements
Business-Type Activities
June 30, 2015

WATER AND SEWER DEPARTMENT FUND

Year Ending June 30,	\$11,225,000 General Obligation Bonds Series 2015 2.00% - 5.00%		\$8,000,000 Local Government Public Improvement Bonds Series VII-A-2 Variable (1)		\$3,720,000 General Obligation Bonds Series 2009 3.00% to 3.50%		\$5,000,000 General Obligation Bonds Series 2011 2.625% - 3.125%		\$4,745,000 General Obligation Bonds Series 2012 2.00% to 3.00%		\$800,000 Local Government Public Improvement Bonds Series VII-L-1 Variable (2)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ -	\$ 371,973	\$ -	\$ 382,834	\$ 300,000	\$ 10,500	\$ -	\$ 148,469	\$ 740,000	\$ 60,300	\$ 725,000
2017	525,000	369,918	-	382,834	-	-	-	148,469	760,000	38,100	75,000	472
2018	525,000	354,168	-	382,834	-	-	-	148,469	775,000	22,900	-	-
2019	550,000	338,418	-	382,834	-	-	-	148,469	370,000	7,400	-	-
2020	550,000	321,918	-	382,834	-	-	-	148,469	-	-	-	-
2021	575,000	294,418	-	382,834	-	-	-	148,469	-	-	-	-
2022	575,000	265,668	-	382,834	-	-	-	148,469	-	-	-	-
2023	600,000	254,169	-	382,834	-	-	-	148,469	-	-	-	-
2024	600,000	242,169	-	382,834	-	-	-	148,469	-	-	-	-
2025	625,000	227,919	-	382,834	-	-	550,000	148,469	-	-	-	-
2026	640,000	202,919	-	382,834	-	-	1,000,000	134,031	-	-	-	-
2027	650,000	183,719	-	382,834	-	-	1,050,000	104,031	-	-	-	-
2028	665,000	164,219	-	382,834	-	-	1,100,000	72,531	-	-	-	-
2029	690,000	144,269	500,000	380,840	-	-	700,000	39,531	-	-	-	-
2030	715,000	116,669	1,100,000	354,521	-	-	175,000	18,531	-	-	-	-
2031	735,000	93,433	1,150,000	301,681	-	-	200,000	13,281	-	-	-	-
2032	505,000	69,545	1,200,000	246,450	-	-	225,000	7,031	-	-	-	-
2033	500,000	52,500	1,250,000	188,825	-	-	-	-	-	-	-	-
2034	500,000	35,000	1,350,000	128,608	-	-	-	-	-	-	-	-
2035	500,000	17,500	1,450,000	63,606	-	-	-	-	-	-	-	-
	<u>\$ 11,225,000</u>	<u>\$ 4,120,511</u>	<u>\$ 8,000,000</u>	<u>\$ 6,641,373</u>	<u>\$ 300,000</u>	<u>\$ 10,500</u>	<u>\$ 5,000,000</u>	<u>\$ 1,873,657</u>	<u>\$ 2,645,000</u>	<u>\$ 128,700</u>	<u>\$ 800,000</u>	<u>\$ 5,546</u>

(1) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for these bonds. The interest rate used for this calculation was 4.78543%, consisting of actual interest rate at June 30, 2015 of 1.423520%, plus 4.41% (the fixed component of the interest rate swap agreement) less 1.04809% (63.1% CMS LIBOR 5-year rate at June 30, 2015).

(2) The interest rate used for this calculation was 0.68600%, which was the actual interest rate at June 30, 2015.

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Long-Term Debt Principal and Interest Requirements
 Business-Type Activities (Continued)
 June 30, 2015

Year Ending June 30,	WATER AND SEWER DEPARTMENT FUND				ELECTRIC DEPARTMENT FUND					
	\$8,525,000 Local Government Public Improvement Bonds Series VII-M-1 Variable (3)		Total Water and Sewer Department Fund		\$21,700,000 Local Government Public Improvement Revenue Bonds Series V-D-1 Variable (4)		Total Electric Department Fund		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ -	\$ 58,456	\$ 1,765,000	\$ 1,037,606	\$ 1,180,000	\$ 426,921	\$ 1,180,000	\$ 426,921	\$ 2,945,000	\$ 1,464,527
2017	250,000	58,313	1,610,000	998,106	1,240,000	388,057	1,240,000	388,057	2,850,000	1,386,163
2018	250,000	56,599	1,550,000	964,970	1,305,000	347,211	1,305,000	347,211	2,855,000	1,312,181
2019	250,000	54,885	1,170,000	932,006	1,370,000	304,233	1,370,000	304,233	2,540,000	1,236,239
2020	250,000	53,170	800,000	906,391	1,445,000	259,096	1,445,000	259,096	2,245,000	1,165,487
2021	250,000	51,456	825,000	877,177	1,520,000	211,499	1,520,000	211,499	2,345,000	1,088,676
2022	250,000	49,742	825,000	846,713	1,600,000	156,922	1,600,000	156,922	2,425,000	1,003,635
2023	250,000	48,028	850,000	833,500	1,685,000	108,722	1,685,000	108,722	2,535,000	942,222
2024	300,000	46,285	900,000	819,757	1,560,000	53,226	1,560,000	53,226	2,460,000	872,983
2025	500,000	44,113	1,675,000	803,335	-	-	-	-	1,675,000	803,335
2026	500,000	40,685	2,140,000	760,469	-	-	-	-	2,140,000	760,469
2027	500,000	37,256	2,200,000	707,840	-	-	-	-	2,200,000	707,840
2028	500,000	33,828	2,265,000	653,412	-	-	-	-	2,265,000	653,412
2029	500,000	30,399	2,390,000	595,039	-	-	-	-	2,390,000	595,039
2030	500,000	26,971	2,490,000	516,692	-	-	-	-	2,490,000	516,692
2031	500,000	23,542	2,585,000	431,937	-	-	-	-	2,585,000	431,937
2032	725,000	19,985	2,655,000	343,011	-	-	-	-	2,655,000	343,011
2033	750,000	15,000	2,500,000	256,325	-	-	-	-	2,500,000	256,325
2034	750,000	9,857	2,600,000	173,465	-	-	-	-	2,600,000	173,465
2035	750,000	4,714	2,700,000	85,820	-	-	-	-	2,700,000	85,820
	<u>\$ 8,525,000</u>	<u>\$ 763,284</u>	<u>\$ 36,495,000</u>	<u>\$ 13,543,571</u>	<u>\$ 12,905,000</u>	<u>\$ 2,255,887</u>	<u>\$ 12,905,000</u>	<u>\$ 2,255,887</u>	<u>\$ 49,400,000</u>	<u>\$ 15,799,458</u>

- (3) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 0.68570%, the projected long-term rate at June 30, 2015.
- (4) Interest is payable quarterly at a swapped fixed rate which may vary according to market fluctuations due to basis differentials between LIBOR and variable rates. An interest rate of 3.2797% was assumed for this calculation.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Plant
Water and Sewer Department Fund
June 30, 2015

	Assets			Accumulated Depreciation			Balance June 30, 2015	Net
	Balance July 1, 2014	Additions	Retirements and Reclassifications	Balance June 30, 2015	Balance July 1, 2014	Expense		
Land	\$ 427,269	\$ -	\$ -	\$ 427,269	\$ -	\$ -	\$ -	\$ 427,269
Water treatment and disposal tanks	28,905,231	526,915	-	29,432,146	5,958,486	961,694	-	22,511,966
Wastewater treatment plant	12,189,358	-	-	12,189,358	7,520,706	385,143	-	4,283,509
Transmission and distribution lines	26,679,426	1,209,139	-	27,888,565	7,319,850	525,711	-	20,043,004
Collection lines	28,716,858	737,034	-	29,453,892	8,003,202	571,912	-	20,878,778
Water meters	2,111,185	52,479	-	2,163,664	1,317,006	171,105	-	675,553
Pump and lift stations	2,868,597	137,524	-	3,006,121	748,969	104,069	-	2,153,083
Transportation equipment	1,658,878	137,686	(27,070)	1,769,494	1,260,319	105,120	(27,070)	431,125
Machinery and equipment	2,111,729	270,288	-	2,382,017	1,779,881	61,767	-	540,369
Other capital assets	2,472,684	122,734	-	2,595,418	494,470	247,938	-	1,853,010
	108,141,215	3,193,799	(27,070)	111,307,944	34,402,889	3,134,459	(27,070)	73,797,666
Construction work in progress	4,263,323	863,199	-	5,126,522	-	-	-	5,126,522
Total	\$ 112,404,538	\$ 4,056,998	\$ (27,070)	\$ 116,434,466	\$ 34,402,889	\$ 3,134,459	\$ (27,070)	\$ 78,924,188

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Plant
Electric Department Fund
June 30, 2015

	Assets				Accumulated Depreciation					Net	
	Balance July 1, 2014	Additions	Deductions	Other	Balance June 30, 2015	Balance July 1, 2014	Current Year Depreciation	Retirements	Other		Balance June 30, 2015
Land and land rights	\$ 6,953,879	\$ -	\$ -	\$ -	\$ 6,953,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,953,879
Office furniture and fixtures	1,776,018	23,648	-	-	1,799,666	1,577,534	43,708	-	-	1,621,242	178,424
Transportation equipment	4,784,302	197,893	(183,698)	-	4,798,497	3,222,399	192,336	(130,036)	-	3,284,699	1,513,798
Machinery and equipment	1,334,998	20,595	-	-	1,355,593	1,004,328	97,073	-	-	1,101,401	254,192
Electric distribution system	190,074,817	6,295,553	(946,998)	-	195,423,372	74,283,192	6,612,502	(1,257,586)	-	79,638,108	115,785,264
	204,924,014	6,537,689	(1,130,696)	-	210,331,007	80,087,453	6,945,619	(1,387,622)	-	85,645,450	124,685,557
Construction work in progress	2,374,879	342,296	-	-	2,717,175	-	-	-	-	-	2,717,175
Total	\$ 207,298,893	\$ 6,879,985	\$ (1,130,696)	\$ -	\$ 213,048,182	\$ 80,087,453	\$ 6,945,619	\$ (1,387,622)	\$ -	\$ 85,645,450	\$ 127,402,732

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Utility Rates, Tap Fees and Number of Customers
For the Fiscal Year Ended June 30, 2015**

Water Rates

	<u>Inside</u>	<u>Outside</u>	
First 1,500 gallons each month	\$8.86	\$17.73	minimum
All over 1,500 gallons each month	4.15	8.32	per thousand gallons

Sewer Rates

Gravity system:

First 1,500 gallons each month	\$10.02	\$20.03	minimum
All over 1,500 gallons each month	5.27	10.56	per thousand gallons

Low pressure system:

First 1,500 gallons each month	\$12.02	\$24.04	minimum
All over 1,500 gallons each month	6.32	12.67	per thousand gallons

Tap Fees

	<u>Inside City Limits*</u>		
	<u>Water</u>	<u>Sewer</u>	
5/8" tap – short side	\$ 750	\$1,200	
5/8" tap – long side	1,500	2,400	
1" tap and larger – short side	1,500	2,000	per inch
1" tap and larger – long side	3,000	4,000	per inch

Access Fees

	<u>Inside/Outside City Limits</u>		
	<u>Water</u>	<u>Sewer</u>	
5/8" by 3/4"	\$ 500	\$ 750	
1" and larger	1,000	1,500	per inch

Number of Customers

Water	12,440
Sewer	9,618

* Tap fees for locations outside the city limits are 1½ times tap fees for locations inside the city limits. For additional add-on commercial and developer fees, please contact Sevierville Water Systems.

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Rates, Tap Fees and Number of Customers (Continued)
For the Fiscal Year Ended June 30, 2015
Electric Power RatesRESIDENTIAL RATE – SCHEDULE RSBase Charges

Customer charge	\$12.50
Energy Charge per kWh	7.091¢
TVA Fuel Cost Adjustment	2.219¢

COMMERCIAL RATE – SCHEDULE GSABase Charges

1. Demand 0 to 50 kW for customer with or without contract demand:	
Customer Charge	\$20.00
Energy Charge 0 to 15,000 kWh per kWh	8.297¢
TVA Fuel Cost Adjustment	2.195¢
2. Demand 50 kW to 1,000 kW or demand less than 50 kW but kWh more than 15,000 kWh:	
Customer Charge	\$50.00
<u>Demand Charge in dollars per kW of demand:</u>	
First 50 kW of billing demand per month	No charge
Over 50 kW of billing demand per month	\$12.85
<u>Energy Charge per kWh:</u>	
First 15,000 kW per month	8.286¢
TVA Fuel Cost Adjustment	2.195¢
Additional kWh per month	4.117¢
TVA Fuel Cost Adjustment	2.167¢
3. Demand greater than 1,000 kW:	
Customer Charge	\$200.00
<u>Demand Charge in dollars per kW of demand:</u>	
First 1,000 kW of billing demand per month	\$13.25
Next 1,500 kW of billing demand per month	\$14.25
Over 2,500 kW of billing demand per month	\$14.65
Plus an additional \$14.33 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Rates, Tap Fees and Number of Customers (Continued)
For the Fiscal Year Ended June 30, 2015

Electric Power Rates (Continued)

COMMERCIAL RATE – SCHEDULE GSA (Continued)

Base Charges (Continued)

3. Demand greater than 1,000 kW (continued):

Energy Charge per kWh	4.117¢
TVA Fuel Cost Adjustment	2.167¢

Number of Customers

Power	55,525
-------	--------

See independent auditor's report.

? Click to access definition
+ Click to add a comment

Water Audit Report for: **City Of Sevierville (0000617)**
Reporting Year: **2015** / 7/2014 - 6/2015

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ?	8	1,586.820	MG/Yr
Water imported:	+ ?	n/a	0.000	MG/Yr
Water exported:	+ ?	8	38.201	MG/Yr

Master Meter and Supply Error Adjustments

	Pcmt:	Value:	
+ ?	7	5.00%	MG/Yr
+ ?			MG/Yr
+ ?	7	5.00%	MG/Yr

WATER SUPPLIED: 1,474.875 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	10	957.819	MG/Yr
Billed unmetered:	+ ?	n/a	0.000	MG/Yr
Unbilled metered:	+ ?	10	137.927	MG/Yr
Unbilled unmetered:	+ ?	8	18.891	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 1,114.637 MG/Yr

Click here: ? for help using option buttons below

Pcmt: Value: 18.891 MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

360.238 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 3.687 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ?	8	57.671	MG/Yr
Systematic data handling errors:	+ ?	10	11.082	MG/Yr

Apparent Losses: 72.440 MG/Yr

Pcmt: Value: 0.25% MG/Yr

5.00% MG/Yr

11.082 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **287.798** MG/Yr

WATER LOSSES: 360.238 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 517.056 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	10	324.3	miles
Number of active AND inactive service connections:	+ ?	8	12,440	
Service connection density:	?		38	conn./mile main

Are customer meters typically located at the curbside or property line? No (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: + ? 8 20.0 ft

Average operating pressure: + ? 7 110.0 psi

COST DATA

Total annual cost of operating water system:	+ ?	10	\$6,154,477	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	8	\$5.11	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$1.68	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 86 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Customer metering inaccuracies

AWWA Free Water Audit Software:
System Attributes and Performance Indicators
WAS v5.0
American Water Works Association.

Water Audit Report for: City Of Sevierville (0000617)
 Reporting Year: 2015 | 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 ***

System Attributes:

Apparent Losses:	72.440	MG/Yr	
+	Real Losses:	287.798	MG/Yr
=	Water Losses:	360.238	MG/Yr
? Unavoidable Annual Real Losses (UARL): 159.55 MG/Yr			
		Annual cost of Apparent Losses:	\$370,169
		Annual cost of Real Losses:	\$484 Valued at Variable Production Cost <small>Return to Reporting Worksheet to change this assumption</small>

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	35.1%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	6.0%	
Operational Efficiency:	{	Apparent Losses per service connection per day:	15.95 gallons/connection/day	
		Real Losses per service connection per day:	63.38 gallons/connection/day	
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.58 gallons/connection/day/psi	
		From Above, Real Losses = Current Annual Real Losses (CARL):	287.80 million gallons/year	
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.80	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Solid Waste Department Activity
June 30, 2015

<u>ASSETS</u>	
Cash and cash equivalents	\$ 270,757
Receivables:	
Customers (net of allowance for doubtful accounts of \$1,423)	<u>34,563</u>
Total assets	<u>\$ 305,320</u>
<u>LIABILITIES AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 111,425
Accrued liabilities	10,616
Customer deposits	<u>1,295</u>
Total liabilities	<u>123,336</u>
Fund equity:	
Assigned	<u>181,984</u>
Total fund equity	<u>181,984</u>
Total liabilities and fund equities	<u>\$ 305,320</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Solid Waste Department Activity
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Licenses and permits	\$ 400	\$ 400	\$ 400
Charges for services	730,000	730,000	752,511
Other revenues	<u>1,200</u>	<u>1,200</u>	<u>16,140</u>
Total revenues	<u>731,600</u>	<u>731,600</u>	<u>769,051</u>
Expenditures:			
Personal services	678,700	678,700	679,661
Contractual services	631,700	631,700	581,597
Supplies	232,500	232,500	235,140
Debt service	191,013	191,013	191,013
Capital outlay	55,000	55,000	44,322
Grants, contributions and other	<u>-</u>	<u>-</u>	<u>1,708</u>
Total expenditures	<u>1,788,913</u>	<u>1,788,913</u>	<u>1,733,441</u>
Revenues over (under) expenditures	<u>(1,057,313)</u>	<u>(1,057,313)</u>	<u>(964,390)</u>
Other financing sources (uses):			
Transfers in	<u>1,032,313</u>	<u>1,032,313</u>	<u>1,032,313</u>
Total other financing sources (uses)	<u>1,032,313</u>	<u>1,032,313</u>	<u>1,032,313</u>
Net change in fund balance	(25,000)	(25,000)	67,923
Fund balance, beginning	<u>114,061</u>	<u>114,061</u>	<u>114,061</u>
Fund balance, ending	<u>\$ 89,061</u>	<u>\$ 89,061</u>	<u>\$ 181,984</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Sevierville Golf Club Department Activity
June 30, 2015

<u>ASSETS</u>	
Cash and cash equivalents	\$ 89,493
Receivables:	
Customers	20,059
Other	194,297
Materials and supplies inventory	<u>107,825</u>
Total assets	<u>\$ 411,674</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 95,927
Accrued liabilities	43,508
Customer deposits	<u>56,520</u>
Total liabilities	<u>195,955</u>
Deferred inflows of resources:	
Deferred revenues from sale of golf carts	<u>194,345</u>
Fund equity:	
Nonspendable:	
Inventories	107,825
Assigned	<u>(86,451)</u>
Total fund equity	<u>21,374</u>
Total liabilities, deferred inflows of resources, and fund equities	<u>\$ 411,674</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Sevierville Golf Club Department Activity
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Charges for services	\$ 1,697,190	\$ 1,697,190	\$ 1,580,927
Other revenues	<u>152,536</u>	<u>152,536</u>	<u>11,570</u>
Total revenues	<u>1,849,726</u>	<u>1,849,726</u>	<u>1,592,497</u>
Expenditures:			
Personal services	978,383	978,383	956,762
Contractual services	339,090	339,090	354,713
Supplies	410,616	410,616	411,473
Fixed charges	46,387	46,387	62,200
Capital outlay	<u>75,250</u>	<u>75,250</u>	<u>-</u>
Total expenditures	<u>1,849,726</u>	<u>1,849,726</u>	<u>1,785,148</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(192,651)</u>
Other financing sources (uses):			
Transfers in	-	-	517,636
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>17,667</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>535,303</u>
Net change in fund balance (deficit)	<u>-</u>	<u>-</u>	<u>342,652</u>
Fund balance (deficit), beginning	<u>(321,278)</u>	<u>(321,278)</u>	<u>(321,278)</u>
Fund balance (deficit), ending	<u>\$ (321,278)</u>	<u>\$ (321,278)</u>	<u>\$ 21,374</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Sevierville Convention Center Department Activity
June 30, 2015

ASSETS

Cash and cash equivalents	\$ 497,649
Receivables:	
Customers	6,248
Other	<u>30,700</u>
Total assets	<u>\$ 534,597</u>

LIABILITIES AND FUND EQUITIES

Liabilities:	
Accounts payable	\$ 59,751
Accrued liabilities	18,370
Customer deposits	<u>149,925</u>
Total liabilities	<u>228,046</u>
Fund equity:	
Assigned	<u>306,551</u>
Total fund equity	<u>306,551</u>
Total liabilities and fund equities	<u>\$ 534,597</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Sevierville Convention Center Department Activity
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Charges for services	\$ 1,053,212	\$ 1,053,212	\$ 1,192,825
Total revenues	<u>1,053,212</u>	<u>1,053,212</u>	<u>1,192,825</u>
Expenditures:			
Personal services	893,242	893,242	916,681
Contractual services	740,270	740,270	665,236
Supplies	29,558	29,558	49,862
Fixed charges	118,434	118,434	122,320
Capital outlay	<u>43,875</u>	<u>43,875</u>	<u>27,425</u>
Total expenditures	<u>1,825,379</u>	<u>1,825,379</u>	<u>1,781,524</u>
Revenues over (under) expenditures	<u>(772,167)</u>	<u>(772,167)</u>	<u>(588,699)</u>
Other financing sources (uses):			
Transfers in	<u>772,167</u>	<u>772,167</u>	<u>772,167</u>
Total other financing sources (uses)	<u>772,167</u>	<u>772,167</u>	<u>772,167</u>
Net change in fund balance	-	-	183,468
Fund balance, beginning	<u>123,083</u>	<u>123,083</u>	<u>123,083</u>
Fund balance, ending	<u>\$ 123,083</u>	<u>\$ 123,083</u>	<u>\$ 306,551</u>

See independent auditor's report.

Statistical Section

This part of the government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	105 - 110
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	111 - 114
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	115 - 117
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	118 - 119
<i>These schedules present information to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	120 - 122
<i>These schedules contain service infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

CITY OF SEVIERVILLE, TENNESSEE

**Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ (923,771)	\$ (9,830,370)	\$ 36,823,645	\$ 41,919,578	\$ 25,401,392	\$ 23,142,876	\$ 26,189,372	\$ 24,516,801	\$ 19,247,692	\$ 16,487,871
Restricted	8,980,119	6,997,266	4,670,528	4,449,355	282,323	248,728	256,396	257,576	438,879	401,226
Unrestricted	8,561,353	16,311,988	(135,379,071)	(143,718,002)	(125,573,037)	(118,941,900)	(102,920,560)	(91,321,334)	(65,516,259)	(19,284,999)
Total governmental activities net position	16,617,701	13,478,884	(93,884,898)	(97,349,069)	(99,889,322)	(95,550,296)	(76,474,792)	(66,546,957)	(45,829,688)	(2,395,902)
Business-type activities:										
Net investment in capital assets	156,543,979	152,410,713	151,675,286	151,337,895	147,561,767	142,279,488	137,850,960	122,684,895	118,352,348	105,791,083
Restricted	2,303,330	2,273,933	2,228,157	2,208,566	1,840,644	-	-	-	-	-
Unrestricted	19,789,435	28,853,693	25,815,398	23,024,977	18,565,866	16,345,344	14,573,850	15,141,273	11,173,754	14,282,032
Total business-type activities net position	178,636,744	183,538,339	179,718,841	176,571,438	167,968,277	158,624,832	152,424,810	137,826,168	129,526,102	120,073,115
Primary government:										
Net investment in capital assets	150,867,072	142,580,343	188,498,931	193,257,473	172,963,159	165,422,364	164,040,332	147,201,696	137,600,040	122,278,954
Restricted	11,283,449	9,271,199	6,898,685	6,657,921	2,122,967	248,728	256,396	257,576	438,879	401,226
Unrestricted	33,103,924	45,165,681	(109,563,673)	(120,693,025)	(107,007,171)	(102,596,556)	(88,346,710)	(76,180,061)	(54,342,505)	(5,002,967)
Total primary government net position	\$ 195,254,445	\$ 197,017,223	\$ 85,833,943	\$ 79,222,369	\$ 68,078,955	\$ 63,074,536	\$ 75,950,018	\$ 71,279,211	\$ 83,696,414	\$ 117,677,213

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities:										
General government	\$ 10,934,739	\$ 10,191,778	\$ 5,744,298	\$ 5,663,701	\$ 5,549,751	\$ 6,806,990	\$ 6,959,909	\$ 6,866,614	\$ 6,554,887	\$ 5,828,480
Public safety	9,907,103	9,313,909	8,358,140	8,340,104	8,709,746	8,596,904	8,342,424	8,185,444	6,632,751	6,338,741
Public works	5,042,884	6,130,079	6,203,632	6,314,456	6,283,358	6,312,314	7,126,379	6,233,894	5,532,806	4,638,431
Recreation	5,258,250	5,657,997	2,847,302	2,863,326	2,773,723	2,742,164	2,752,089	2,588,815	2,856,339	2,636,745
Contingency reserve	53,607	118,788	166,457	55,199	233,612	245,017	98,118	222,627	157,394	102,715
Community development	216,119	216,119	-	-	-	-	-	-	-	-
Debt administration	5,223,776	7,962,492	8,680,435	8,959,878	8,432,132	7,689,200	7,651,505	9,880,988	8,701,888	5,619,595
Capital outlays	-	-	746,761	1,409,743	1,013,346	1,323,387	1,112,707	324,365	236,119	379,382
Total governmental activities	36,636,478	39,591,162	32,747,025	33,606,407	32,995,668	33,715,976	34,043,131	34,302,747	30,672,184	25,544,089
Business-type activities:										
Water and sewer	11,419,850	11,712,680	11,556,009	11,673,086	11,266,471	10,414,000	11,021,669	10,178,866	8,930,087	8,090,551
Electric	146,330,416	147,185,482	142,556,411	134,907,359	144,431,655	129,979,593	137,684,205	117,639,049	108,427,014	97,433,691
Total business-type activities	157,750,266	158,898,162	154,112,420	146,580,445	155,698,126	140,393,593	148,705,874	127,817,915	117,357,101	105,524,242
Total expenses	\$ 194,386,744	\$ 198,489,324	\$ 186,859,445	\$ 180,186,852	\$ 188,693,794	\$ 174,109,569	\$ 182,749,005	\$ 162,120,662	\$ 148,029,285	\$ 131,068,331
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 1,586,920	\$ 1,237,262	\$ 18,253	\$ 107,107	\$ 153,865	\$ 165,245	\$ 157,481	\$ 147,758	\$ 139,929	\$ 91,804
Public safety	592,493	492,703	515,571	505,257	649,889	645,684	686,469	863,138	537,276	475,102
Public works	1,147,143	1,107,267	1,063,926	1,436,696	685,636	660,177	625,567	593,403	526,920	485,101
Recreation	2,127,560	2,245,293	481,874	514,000	458,327	468,918	495,981	465,352	431,236	390,036
Operating grants and contributions	205,101	1,017,890	840,006	638,434	1,030,109	1,849,503	1,903,843	1,619,573	1,485,691	1,410,610
Capital grants and contributions	-	510,000	79,670	378,881	606,995	1,127,284	141,754	466,247	-	341,509
Total governmental activities	5,639,217	6,610,415	2,999,300	3,580,375	3,584,821	4,916,811	4,011,095	4,155,471	3,121,052	3,194,162
Business-type activities:										
Charges for services:										
Water and sewer	11,906,452	11,788,123	11,509,719	11,946,309	11,070,835	10,503,553	11,175,255	11,033,626	10,207,570	9,712,058
Electric	153,254,586	151,948,521	147,508,946	142,826,521	154,872,887	136,833,596	145,424,738	123,782,202	114,889,026	101,812,528
Operating grants and contributions	-	-	-	-	-	-	-	858,163	648,471	1,236,347
Capital grants and contributions	28,405	-	-	-	-	-	7,137,040	-	-	295
Total business-type activities	165,189,443	163,736,644	159,018,665	154,772,830	165,943,722	147,337,149	163,737,033	135,673,991	125,745,067	112,761,228
Total program revenues	\$ 170,828,660	\$ 170,347,059	\$ 162,017,965	\$ 158,353,205	\$ 169,528,543	\$ 152,253,960	\$ 167,748,128	\$ 139,829,462	\$ 128,866,119	\$ 115,955,390
Net revenue (expense):										
Governmental activities	\$ (30,997,261)	\$ (32,980,747)	\$ (29,747,725)	\$ (30,026,032)	\$ (29,410,847)	\$ (28,799,165)	\$ (30,032,036)	\$ (30,147,276)	\$ (27,551,132)	\$ (22,349,927)
Business-type activities	7,439,177	4,838,482	4,906,245	8,192,385	10,245,596	6,943,556	15,031,159	7,856,076	8,387,966	7,236,986
Total net revenue (expense)	\$ (23,558,084)	\$ (28,142,265)	\$ (24,841,480)	\$ (21,833,647)	\$ (19,165,251)	\$ (21,855,609)	\$ (15,000,877)	\$ (22,291,200)	\$ (19,163,166)	\$ (15,112,941)

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Change in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
General revenues:										
Sales taxes	\$ 24,062,184	\$ 23,341,677	\$ 22,397,631	\$ 20,516,632	\$ 19,344,375	\$ 18,574,604	\$ 18,297,860	\$ 18,708,528	\$ 16,751,221	\$ 14,858,984
Property taxes	2,385,143	2,295,448	2,303,049	2,262,550	2,215,023	2,161,739	2,005,687	1,943,740	1,871,813	1,718,381
Wholesale beer tax	1,274,946	1,237,159	1,286,449	1,221,871	1,119,312	1,063,394	1,001,388	911,787	820,172	711,088
Privilege taxes	4,917,054	4,400,304	1,853,546	1,233,248	1,124,411	1,074,609	933,227	737,704	710,983	-
Business taxes	1,134,235	1,073,237	1,142,652	1,022,341	1,008,676	982,094	1,017,422	1,128,091	989,056	-
Other taxes	1,115,583	1,224,229	926,581	820,096	811,011	812,727	899,699	806,623	797,777	2,342,889
Interest earned	13,262	14,418	25,872	71,949	137,383	320,811	985,878	2,974,558	5,335,479	3,450,353
Gain (loss) on investment derivatives	(1,210,110)	(484,271)	5,980,094	(8,633,692)	2,301,767	(3,886,869)	-	-	-	-
Gain (loss) on disposal of capital assets	(347,619)	66,415	(299,826)	50,720	20,688	193,468	(42,893)	(22,288)	41,236	509,728
Miscellaneous	150,550	169,570	155,515	110,319	23,023	1,147,524	171,568	79,994	14,206	49,339
Contributions:										
Capital contribution to county government	-	-	-	-	-	-	(127,111)	-	-	-
Capital contribution from county government	-	-	-	-	70,000	163,800	204,568	810,146	28,259	15,380
Capital contribution to component unit	-	-	(650,000)	(2,310,964)	(3,500,000)	(9,000,000)	(6,300,000)	(19,675,000)	(44,006,634)	(35,574,196)
Operating contribution to component unit	-	-	(892,300)	(881,974)	(781,974)	-	-	-	(109,460)	-
Capital contribution from component unit	-	-	-	15,778,551	-	-	-	-	-	-
Transfers	1,359,393	1,357,179	1,327,296	1,304,638	1,178,125	1,103,324	1,056,908	1,108,169	873,238	861,245
Other items:										
Amounts to joint venture	-	-	-	-	-	-	-	(82,043)	-	-
Grant to primary government from component unit	-	105,662,209	-	-	-	-	-	-	-	-
Total general revenues, contributions, transfers and other items	34,854,621	140,357,574	35,556,559	32,566,285	25,071,820	14,711,225	20,104,201	9,430,009	(15,882,654)	(11,056,809)
Business-type activities:										
General revenues:										
Interest earned	132,104	107,937	155,225	298,423	267,349	328,126	549,951	1,090,201	1,795,077	1,223,598
Gain (loss) on disposal of capital assets	3,117	151,413	(8,613)	-	-	2,500	-	296,500	-	-
Miscellaneous	37,414	78,845	38,697	6,221	8,625	29,164	74,440	165,458	143,182	77,035
Contributions:										
Capital contribution from component unit	-	-	-	1,410,770	-	-	-	-	-	-
Transfers	(1,359,393)	(1,357,179)	(1,327,296)	(1,304,638)	(1,178,125)	(1,103,324)	(1,056,908)	(1,108,169)	(873,238)	(861,245)
Total general revenues, contributions and transfers	(1,186,758)	(1,018,984)	(1,141,987)	410,776	(902,151)	(743,534)	(432,517)	443,990	1,065,021	439,388
Total primary government	\$ 33,667,863	\$ 139,338,590	\$ 34,414,572	\$ 32,977,061	\$ 24,169,669	\$ 13,967,691	\$ 19,671,684	\$ 9,873,999	\$ (14,817,633)	\$ (10,617,421)
Change in net position:										
Governmental activities	\$ 3,857,360	\$ 107,376,827	\$ 5,808,834	\$ 2,540,253	\$ (4,339,027)	\$ (14,087,940)	\$ (9,927,835)	\$ (20,717,267)	\$ (43,433,786)	\$ (33,406,736)
Business-type activities	6,252,419	3,819,498	3,764,258	8,603,161	9,343,445	6,200,022	14,598,642	8,300,066	9,452,987	7,676,374
Total change in net position	\$ 10,109,779	\$ 111,196,325	\$ 9,573,092	\$ 11,143,414	\$ 5,004,418	\$ (7,887,918)	\$ 4,670,807	\$ (12,417,201)	\$ (33,980,799)	\$ (25,730,362)

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2015	2014	2013	2012	2011 *	2010	2009	2008	2007	2006
General fund:										
Nonspendable	\$ 111,895	\$ 92,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	509,909	206,802	360,351	328,133	2,915,568	-	-	-	-	-
Unassigned	13,488,037	12,274,002	11,193,463	10,860,577	9,985,573	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	171,407
Unreserved	-	-	-	-	-	14,176,246	14,410,552	16,878,751	18,065,315	19,073,374
Total general fund	\$ 14,109,841	\$ 12,573,698	\$ 11,553,814	\$ 11,188,710	\$ 12,901,141	\$ 14,176,246	\$ 14,410,552	\$ 16,878,751	\$ 18,065,315	\$ 19,244,781
All other governmental funds:										
Restricted	\$ 8,980,119	\$ 6,997,266	\$ 4,662,136	\$ 4,449,355	\$ 6,805,997	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	5,966,663	6,466,663	6,966,663	7,616,663	9,066,663	-	-	-	-	-
Assigned	2,175,801	1,718,009	1,669,753	2,012,563	2,538,473	-	-	-	-	-
Reserved	-	-	-	-	-	20,994,813	30,880,857	36,266,235	57,306,494	100,711,935
Unreserved	-	-	-	-	-	3,396,209	4,530,107	5,409,158	6,597,426	6,729,491
Total all other governmental funds	\$ 17,122,583	\$ 15,181,938	\$ 13,298,552	\$ 14,078,581	\$ 18,411,133	\$ 24,391,022	\$ 35,410,964	\$ 41,675,393	\$ 63,903,920	\$ 107,441,426

* In fiscal year 2011, the City of Sevierville adopted GASB No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" which changed the categories of fund balance presented in the financial statements.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Local taxes	\$ 27,839,267	\$ 24,028,421	\$ 20,992,110	\$ 20,097,120	\$ 18,812,433	\$ 18,656,038	\$ 18,603,979	\$ 18,669,837	\$ 18,329,865	\$ 18,822,776
Licenses and permits	172,375	155,993	98,256	143,010	120,908	125,570	243,056	482,854	192,342	150,993
Intergovernmental	7,784,659	10,722,346	9,975,950	8,470,393	8,447,478	8,171,508	6,778,493	6,947,778	4,591,383	2,767,264
Charges for services	4,292,437	4,372,202	1,419,123	1,429,895	1,313,724	1,310,219	1,261,348	1,187,337	1,085,450	967,259
Fines, forfeitures and penalties	439,623	393,505	423,765	387,290	412,573	406,685	364,240	317,182	276,519	274,129
Other revenue	163,813	286,043	276,798	365,995	321,949	2,009,906	1,297,027	3,196,018	5,474,685	3,566,999
Total revenues	40,692,174	39,958,510	33,186,002	30,893,703	29,429,065	30,679,926	28,548,143	30,801,006	29,950,244	26,549,420
EXPENDITURES										
Current:										
General government	9,852,011	9,037,238	5,718,972	5,660,003	5,387,339	5,163,663	5,290,642	5,151,379	4,388,105	5,670,412
Public safety	9,551,804	9,074,365	8,744,093	8,756,056	8,425,717	8,383,231	8,244,569	7,614,114	6,683,637	6,198,417
Public works	4,323,194	5,332,407	5,734,514	5,792,485	5,691,219	5,393,459	5,325,796	5,637,814	5,218,155	4,322,628
Culture and recreation	4,471,430	4,816,233	2,607,093	2,649,661	2,476,748	2,379,220	2,437,668	2,324,180	2,712,745	2,434,236
Contingency reserves	53,607	118,788	166,457	55,199	233,612	245,017	124,118	202,628	157,388	102,715
Debt administration:										
Principal	7,132,873	3,760,000	996,300	1,532,590	1,025,106	1,134,971	951,875	914,500	859,500	674,500
Interest	6,453,644	7,709,175	8,334,005	8,519,236	7,927,305	7,327,381	9,904,993	8,909,879	7,654,344	4,921,344
Debt service charges	570,068	448,742	537,437	617,678	694,633	590,946	809,921	846,401	922,838	625,625
Bond issuance costs	115,662	461,158	194,860	155,293	339,672	300,000	502,115	-	-	-
Capital outlay	1,814,269	1,491,378	547,052	1,477,978	1,678,859	2,312,343	2,298,112	3,966,328	2,827,648	4,304,547
Total expenditures	44,338,562	42,249,484	33,580,783	35,216,179	33,880,210	33,230,231	35,889,809	35,567,223	31,424,360	29,254,424
Excess (deficiency) of revenues over expenditures	(3,646,388)	(2,290,974)	(394,781)	(4,322,476)	(4,451,145)	(2,550,305)	(7,341,666)	(4,766,217)	(1,474,116)	(2,705,004)

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Changes in Fund Balances of Governmental Funds (Continued)
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 3,258,393	\$ 1,357,179	\$ 1,327,296	\$ 1,304,638	\$ 1,178,125	\$ 1,103,324	\$ 1,056,908	\$ 1,108,169	\$ 873,238	\$ -
Transfers out	(1,899,000)	-	-	-	-	-	-	-	-	-
Operating and capital contributions to component unit	-	-	(1,542,300)	(3,192,938)	(4,281,974)	(10,107,267)	(8,224,759)	(19,675,000)	(44,116,094)	(15,555,826)
Capital contributions	-	-	-	10,500	-	-	-	-	-	-
Operating and capital contributions to joint venture	-	-	-	-	-	-	-	(82,043)	-	-
Contribution from proprietary fund	-	-	-	-	-	-	-	-	-	654,666
Gain on sale of development property	-	-	-	-	-	-	-	-	-	509,779
Refunding bonds issued	5,680,000	72,605,000	9,160,000	17,275,000	-	-	-	-	-	-
Premium on refunding bonds issued	33,612	6,238,273	284,860	58,039	-	-	6,695,169	-	-	-
Proceeds from issuance of bonds	-	-	-	-	26,100,000	49,500,000	114,211,720	-	-	83,657,316
Payments to refunded bond escrow agent	-	(75,000,000)	(9,250,000)	(17,177,746)	(25,800,000)	(49,200,000)	(115,130,000)	-	-	-
Proceeds from sale of capital assets	50,171	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>7,123,176</u>	<u>5,200,452</u>	<u>(20,144)</u>	<u>(1,722,507)</u>	<u>(2,803,849)</u>	<u>(8,703,943)</u>	<u>(1,390,962)</u>	<u>(18,648,874)</u>	<u>(43,242,856)</u>	<u>69,265,935</u>
SPECIAL ITEMS:										
Grant from primary government to component unit	-	(147,904)	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 3,476,788</u>	<u>\$ 2,761,574</u>	<u>\$ (414,925)</u>	<u>\$ (6,044,983)</u>	<u>\$ (7,254,994)</u>	<u>\$ (11,254,248)</u>	<u>\$ (8,732,628)</u>	<u>\$ (23,415,091)</u>	<u>\$ (44,716,972)</u>	<u>\$ 66,560,931</u>
Debt service as a percentage of noncapital expenditures	50.52%	43.62%	43.81%	47.24%	44.96%	43.37%	56.80%	50.98%	49.25%	33.22%

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Assessed Value and Estimated Actual Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Residential Property	Real Commercial Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Rate
2015	\$ 306,973,600	\$ 377,947,080	\$ 38,727,150	\$ 226,050	\$ 723,873,880	31.44%	\$ 2,302,255,849	\$ 0.31
2014	311,244,825	364,183,920	38,817,396	226,050	714,472,191	31.26%	2,285,241,230	0.31
2013	308,956,500	361,528,760	40,925,690	226,050	711,637,000	31.26%	2,276,477,744	0.31
2012	310,134,350 (2)	351,967,760 (2)	40,420,145 (2)	226,050 (2)	702,748,305 (2)	31.16% (2)	2,255,601,069 (2)	0.31 (2)
2011	316,588,175	365,160,520	39,277,053	241,450	721,267,198	31.08%	2,320,524,314	0.31
2010	297,070,250	363,563,080	37,878,109	241,450	698,752,889	31.21%	2,238,692,313	0.31
2009	271,671,625	337,365,880	38,101,306	241,450	647,380,261	31.46%	2,057,540,903	0.31
2008	254,443,475	318,827,880	37,538,896	241,450	611,051,701	31.49%	1,940,403,657	0.31
2007	237,994,325 (2)	307,008,280 (2)	34,746,251 (2)	241,450 (2)	579,990,306 (2)	31.59% (2)	1,835,756,677 (2)	0.31 (2)
2006	177,958,325	231,677,560	25,691,235	226,050	435,553,170	31.35%	1,389,528,087	0.38

(1) Overall assessment ratios and effective rates for 1973 and thereafter are weighted averages due to varying constitutional assessment ratios which became effective statewide January 1, 1973. Assessment ratios are Residential Property - Real at 25 percent; Commercial and Industrial Property - Real at 40 percent and Personal at 30 percent; Public Utilities - All Property both Real and Personal at 55 percent.

(2) All properties were reappraised in tax year 2006 (fiscal year 2007) and tax year 2011 (fiscal year 2012).

Source: Finance Department

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	Direct Rate	Overlapping Rate	Total Direct and Overlapping Rates
	City of Sevierville	Sevier County	
2015	\$0.31	\$1.63	\$1.94
2014	0.31	1.63	1.94
2013	0.31	1.63	1.94
2012	0.31	1.63	1.94
2011	0.31	1.63	1.94
2010	0.31	1.54	1.85
2009	0.31	1.54	1.85
2008	0.31	1.54	1.85
2007	0.31	1.34	1.65
2006	0.38	1.34	1.72

Source: Finance Department and Sevier County Property Assessor's Office

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Principal Property Taxpayers
Current Year and Nine Years Ago**

Rank	Taxpayer	2014		2005			
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
1	Wyndham	\$ 38,423,315	1	5.31%			
2	Five Oaks Development Group	36,324,634	2	5.02%	\$ 22,459,385	1	5.40%
3	Wilderness Tenn Venture	24,924,861	3	3.44%			
4	M & S Properties	8,775,690	4	1.21%	9,258,430	2	2.10%
5	Charles Blalock & Sons	8,327,761	5	1.15%	2,754,141	7	0.60%
6	Miller Land Properties	7,685,405	6	1.06%	5,246,765	3	1.20%
7	B S & J Enterprises, L.P.	6,934,028	7	0.96%			
8	Sevier County Bank	6,786,989	8	0.94%	4,109,520	6	0.90%
9	Ogle, Ronald & Betty	6,730,845	9	0.93%			
10	The Universe, LLC	6,106,880	10	0.84%			
	Fairfield Resorts				4,710,100	4	1.00%
	Governor's Crossing Outlet Mall				4,679,736	5	1.00%
	Riverwalk Properties				2,595,095	8	0.60%
	Fairfield Communities				2,543,675	9	0.50%
	FFD Development				2,050,343	10	0.40%
		<u>\$151,020,408</u>		<u>20.86%</u>	<u>\$ 60,407,190</u>		<u>13.70%</u>

Source: Finance Department

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2015	\$ 2,278,996	\$ 2,150,207	94.35%	\$ -	\$ 2,150,207	94.35%
2014	2,237,646	2,109,346	94.27%	100,579	2,209,925	98.76%
2013	2,223,347	2,066,742	92.96%	141,138	2,207,880	99.30%
2012	2,224,208	2,066,742	92.92%	151,629	2,218,371	99.74%
2011	2,198,474	2,020,397	91.90%	173,601	2,193,998	99.80%
2010	2,254,215	2,014,702	89.37%	235,194	2,249,896	99.81%
2009	2,193,853	2,046,177	93.27%	145,682	2,191,859	99.91%
2008	2,011,734	1,935,183	96.19%	76,156	2,011,339	99.98%
2007	1,921,562	1,836,997	95.60%	84,261	1,921,258	99.98%
2006	1,846,129	1,782,075	96.53%	63,649	1,845,724	99.98%

Source: Finance Department

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds (1)	Capital Outlay Notes	General Obligation Bonds	State Revolving Loans	Total Outstanding Debt	Percentage of Personal Income (2)	Population (3)	Debt Per Capita
	Governmental Activities		Business-Type Activities					
2015	\$ 183,343,138	\$ -	\$ 49,833,373	\$ -	\$ 233,176,511	**	**	**
2014	186,677,997	-	52,866,252	-	239,544,249	**	16,355	\$ 14,647
2013	187,251,307	-	55,921,045	-	243,172,352	75.84%	16,011	15,188
2012	188,438,614	-	59,134,539	-	247,573,153	75.84%	15,613	15,857
2011	190,173,454	-	54,659,079	5,570,194	250,402,727	77.38%	15,037	16,652
2010	191,432,757	-	57,860,002	6,355,582	255,648,341	77.23%	14,834	17,234
2009	192,636,925	-	60,706,060	7,301,199	260,644,184	74.17%	17,295	15,070
2008	192,200,000	101,875	62,025,958	8,215,029	262,542,862	**	16,846	15,585
2007	193,080,000	136,375	63,104,990	9,098,148	265,419,513	**	16,051	16,536
2006	193,905,000	170,875	63,970,022	9,951,610	267,997,507	**	15,489	17,302

Sources: (1) Presented net of original issuance discounts and premiums.

(2) Personal income is disclosed on page 118.

(3) United States Census Bureau

** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Less: Amounts Available for Debt Service (2)</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (3)</u>	<u>Debt Per Capita (4)</u>
2015	\$ 233,176,511	\$ 2,303,330	\$ 230,873,181	10.10%	**
2014	239,544,249	2,273,933	237,270,316	10.38%	\$ 14,508
2013	243,172,352	2,228,157	240,944,195	10.58%	15,049
2012	247,573,153	2,208,566	245,364,587	10.88%	15,715
2011	244,832,533	1,840,644	242,991,889	10.47%	16,160
2010	249,292,759	-	249,292,759	11.14%	16,805
2009	253,342,985	-	253,342,985	12.31%	14,648
2008	254,225,958	-	254,225,958	13.10%	15,091
2007	256,184,990	-	256,184,990	13.96%	15,961
2006	257,875,022	-	257,875,022	18.56%	16,649

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

Sources:

- (1) This is the general bonded debt of both governmental and business-type activities, of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments.
- (3) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 111 for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 118.

** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2015**

<u>Jurisdiction</u>	<u>Net Direct Outstanding Debt</u>	<u>Percentage Applicable to Government</u>	<u>Direct and Overlapping Debt</u>
City of Sevierville	\$ 178,590,000	100.00%	\$ 178,590,000
Sevier County	<u>116,615,990</u>	15.98%	<u>18,635,235</u>
	<u>\$ 295,205,990</u>		<u>\$ 197,225,235</u>

Sources: Outstanding debt and applicable percentages provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the government. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the government. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Personal Income</u>	<u>Unemployment Rate (3)</u>
2015	**	**	**	7.20%
2014	16,355	**	**	7.90%
2013	16,011	\$ 20,026	\$ 320,636,286	8.80%
2012	15,613	\$ 20,907	\$ 326,420,991	8.70%
2011	15,037	\$ 21,519	\$ 323,581,203	10.00%
2010	14,834	\$ 22,314	\$ 331,005,876	10.30%
2009	17,295	\$ 20,319	\$ 351,417,105	10.80%
2008	16,846	**	**	6.90%
2007	16,051	**	**	5.80%
2006	15,489	**	**	3.10%

Sources:

- (1) U.S. Census Bureau, estimates as of beginning of each fiscal year; Population variation due to actual census in April 2010, other reported numbers are estimates.
 - (2) U.S. Census Bureau, American Community 5-year Rolling Survey
 - (3) Tennessee Department of Labor and Workforce Development unemployment rate for the County (not seasonally adjusted); It is annualized for the year ending December during fiscal year.
- ** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Principal Employers
Current Year and Nine Years Ago**

Employer	2014			2005		
	Employees	Rank	Percentage of Total Gov't Employment	Employees	Rank	Percentage of Total Gov't Employment
Sevier County School System	2,450	1	**	**	**	**
Collier Food Groups	860	2	**	**	**	**
Tanger Five Oaks Outlet	800	3	**	**	**	**
Sevier County	650	4	**	**	**	**
Wilderness of the Smokies	634	5	**	**	**	**
LeConte Medical Center	546	6	**	**	**	**
Wal-Mart	527	7	**	**	**	**
Bass Pro Shoppe	336	8	**	**	**	**
City of Sevierville	332	9	**	**	**	**
TRW - Fuji Valve	150	10	**	**	**	**
	<u>7,285</u>		<u>0.00%</u>	<u>**</u>		<u>0.00%</u>

Source: Sevier County Economic Development Council

Note: Companies listed may not be actual employer

** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	43	41	32	32	32	40	40	32	32	37
Public safety										
Police										
Officers	60	60	60	59	58	58	57	56	56	52
Civilians	14	14	14	14	15	15	14	14	14	13
Fire										
Firefighters and officers	35	33	33	33	33	33	34	33	33	33
Civilians										
Codes enforcement	6	7	7	7	7	7	7	7	7	7
Public works										
Highways and streets	17	14	17	17	17	17	16	15	15	15
City garage	7	8	8	8	8	8	8	8	7	7
Sanitation	11	11	11	11	11	11	12	13	12	11
Culture and recreation	33	39	26	25	25	24	24	24	31	40
Water	48	47	48	48	48	48	48	45	45	41
Public Building Authority										
Administrative	0	0	3	3	3	3	3	3	0	0
Convention Center	0	0	8	8	8	8	9	10	0	0
Recreation - Golf Club	0	0	15	15	17	10	10	10	0	0
Total	274	274	282	280	282	282	282	270	252	256

Sources: Various Departments

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Operating Indicators by Function
Last Ten Years

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:										
Building permits issued	187	206	184	231	219	256	244	296	361	309
Public safety:										
Number of police (regular employees)	74	74	74	73	73	73	71	70	70	65
Number of arrests	3,229	3,427	2,893	3,585	3,670	3,730	4,053	3,620	2,471	2,058
Number of traffic violations	8,390	7,722	6,834	7,112	6,308	7,993	8,261	7,318	5,585	4,542
Number of parking violations	17	2	2	12	8	11	10	20	27	63
Number of paid firefighters (regular employees)	35	34	33	33	33	33	34	33	33	33
Number of fire emergency responses	1,992	1,875	1,712	1,803	1,844	1,788	1,789	1,700	1,676	1,606
Number of fires extinguished	71	75	77	86	74	73	103	124	113	96
Number of fire inspections	590	906	432	265	382	251	250	247	150	250
Public works:										
Tons collected and disposed:										
Solid waste	40,958	10,693	10,912	10,221	9,612	9,225	8,795	8,618	**	**
Metal	11	9	18	**	**	**	**	**	**	**
Papers	**	**	82	**	**	**	**	**	**	**
Recyclable containers	436	70	98	49	39	**	**	**	**	**
Leaves (tonnage)	293	395	327	403	344	342	287	286	**	**
Number of shade trees:										
Planted - Parks and Recreation	60	50	56	49	**	**	**	**	**	**
Removed - Parks and Recreation	25	15	86	76	**	**	**	**	**	**
Trimmed - Parks and Recreation	600	500	462	798	**	**	**	**	**	**
Stumps removed - Parks and Recreation	10	**	5	4	**	**	**	**	**	**
Recreation and parks:										
Field permits issued	25	20	20	20	20	**	**	**	**	**
Recreation permits issued - memberships and shelter reservations	5,202	6,800	6,221	758	606	**	**	**	**	**
Number of youth programs	5	4	4	3	4	**	**	**	**	**
Number of adult programs	6	4	4	4	4	**	**	**	**	**
Number for senior citizens programs	3	1	1	1	1	**	**	**	**	**
Water:										
Average daily distribution (gallons)	3,926,333	3,785,970	3,671,416	3,521,583	3,598,333	3,250,000	3,940,000	3,512,050	3,158,700	3,143,400
Number of metered accounts (water customers)	12,440	12,640	12,312	12,183	12,023	11,917	11,670	11,457	11,032	10,533
Number of fire lines	192	188	189	189	188	184	178	170	164	160

Sources: Various departments

** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Number of police stations (station and substations)	2	2	2	2	2	2	2	2	2	2
Number of fire stations (stations and substations)	2	2	2	2	2	2	2	2	1	1
Parking department:										
Number of parking garages	1	1	1	1	1	1	1	1	0	0
Public works:										
Number of public works buildings	4	4	4	4	4	3	3	3	3	3
Miles of streets (approximate)	202	202	202	201	200	198	195	190	185	180
Miles of sanitary sewers (sewer mains)	299	299	296	255	255	250	247	247	231	219
Miles of storm water drains (approximate)	15	15	15	15	15	15	15	14	14	14
Recreation and parks:										
Number of parks and recreation facilities	22	22	20	20	19	19	19	19	19	19
Acres of parks/areas maintained	130	130	123	123	121	119	119	119	119	119
Water:										
Miles of water mains	375	375	374	314	314	313	312	312	299	290
Number of fire hydrants	1,175	1,175	1,153	990	965	865	859	660	748	685

Source: Various departments

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Mayor and Aldermen
City of Sevierville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sevierville, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sevierville, Tennessee's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sevierville, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sevierville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sevierville, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sevierville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions

of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Jake & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
December 21, 2015

CITY OF SEVIERVILLE, TENNESSEE
Summary Schedule of Prior Audit Findings

There were no prior year findings.