

CITY OF PIGEON FORGE

Pigeon Forge, Tennessee

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

For the Fiscal Year Ended June 30, 2019



CITY OF PIGEON FORGE

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INTRODUCTORY SECTION

CITY OF PIGEON FORGE
ROSTER OF ELECTED AND MANAGEMENT OFFICIALS
June 30, 2019

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

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund and tourism development zone fund of City of Pigeon Forge, (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pigeon Forge as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and tourism development zone fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

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 iv through xiv and the schedule of changes in total OPEB liability and related ratios on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the City of Pigeon Forge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pigeon Forge, Tennessee, (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$257,806,790 (net position). Of this amount, \$134,196,139 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's current year change in net position was an increase of \$34,885,838.
- The governmental funds had a current year excess of revenues and other financing sources over expenditures and other financing uses of \$37,581,455. As of the close of the June 30, 2019 fiscal year, the City's governmental funds reported combined ending fund balances of \$117,924,592. Approximately 71% of this balance was available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$83,893,924, or approximately 119% of total General Fund expenditures.
- The City had an S&P rating of AA on all of the City's outstanding debt at June 30, 2019.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 1 and 2 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 3, 5 and 6 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 14 through 16 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 41 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 43 through 44 of this report. Budgetary comparison schedules for the Special Revenue Funds are presented on pages 45 through 47 following the combining financial statements.

Other supplementary schedules are presented on pages 48 through 50, and other unaudited supplemental information is presented on pages 51 through 58.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$257,806,790 at the close of the June 30, 2019 fiscal year.

The largest portion of the City's net position (approximately 52%) reflects its unrestricted net position, or net position that does not meet the definition of "restricted" or "net investment in capital assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Pigeon Forge Condensed Statement of Net Position as of June 30, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 138,462,973	\$ 97,237,718	\$ 48,431,412	\$ 42,620,656	\$ 186,894,385	\$ 139,858,374
Capital Assets, Net	136,228,279	118,044,831	157,831,694	160,114,417	294,059,973	278,159,248
Total Assets	274,691,252	215,282,549	206,263,106	202,735,073	480,954,358	418,017,622
Deferred Outflows of Resources	3,953,443	864,835	188,258	208,220	4,141,701	1,073,055
Total Assets and Deferred Outflows of Resources	<u>\$ 278,644,695</u>	<u>\$ 216,147,384</u>	<u>\$ 206,451,364</u>	<u>\$ 202,943,293</u>	<u>\$ 485,096,059</u>	<u>\$ 419,090,677</u>
Liabilities, Deferred Inflows and Net Position						
Liabilities						
Current Liabilities	\$ 12,388,343	\$ 6,823,626	\$ 4,727,567	\$ 4,557,720	\$ 17,115,910	\$ 11,381,346
Noncurrent Liabilities	99,257,669	72,747,627	107,410,179	108,795,160	206,667,848	181,542,787
Total Liabilities	111,646,012	79,571,253	112,137,746	113,352,880	223,783,758	192,924,133
Deferred Inflows of Resources	1,464,734	1,428,183	2,040,777	1,817,409	3,505,511	3,245,592
Net Position						
Net Investment in Capital Assets	54,262,129	48,244,028	48,788,136	49,977,035	103,050,265	98,221,063
Restricted	20,524,607	37,358,679	35,779	35,780	20,560,386	37,394,459
Unrestricted	90,747,213	49,545,241	43,448,926	37,760,189	134,196,139	87,305,430
Total Net Position	165,533,949	135,147,948	92,272,841	87,773,004	257,806,790	222,920,952
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 278,644,695</u>	<u>\$ 216,147,384</u>	<u>\$ 206,451,364</u>	<u>\$ 202,943,293</u>	<u>\$ 485,096,059</u>	<u>\$ 419,090,677</u>

An additional portion of the City's net position (\$103,050,265 or approximately 40%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance, restricted net position of \$20,560,386 represents resources that are subject to external restrictions on how they may be used.

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

Current and other assets in the governmental activities increased by approximately \$41,200,000. This increase is partially due to revenue collected exceeding cash expenditures, resulting in an increase of cash and cash equivalents. Also included in current and other assets, the net increase in investments and restricted cash and cash equivalents increased approximately \$11,500,000 primarily due to an increase in restricted TDZ sales tax. Restricted investments increased approximately \$15,700,000 primarily due to investing the proceeds from the issuance of the general obligation improvements bonds, series 2018.

Current and other assets in the business type activities increased approximately \$5,811,000 primarily due to an increase in investments because of less funds being used for capital projects and revenue collected exceeding expenses.

Capital assets, net in governmental activities increased by approximately \$18,183,000 primarily due to the purchase of land for a surface parking lot adjacent to the LeConte Center and construction costs associated with the parking lot.

Current liabilities in the governmental activities increased by approximately \$5,565,000. This increase was due to the contributions payable to component unit and an increase in the current portion of long term debt from the issuance of bond series 2018.

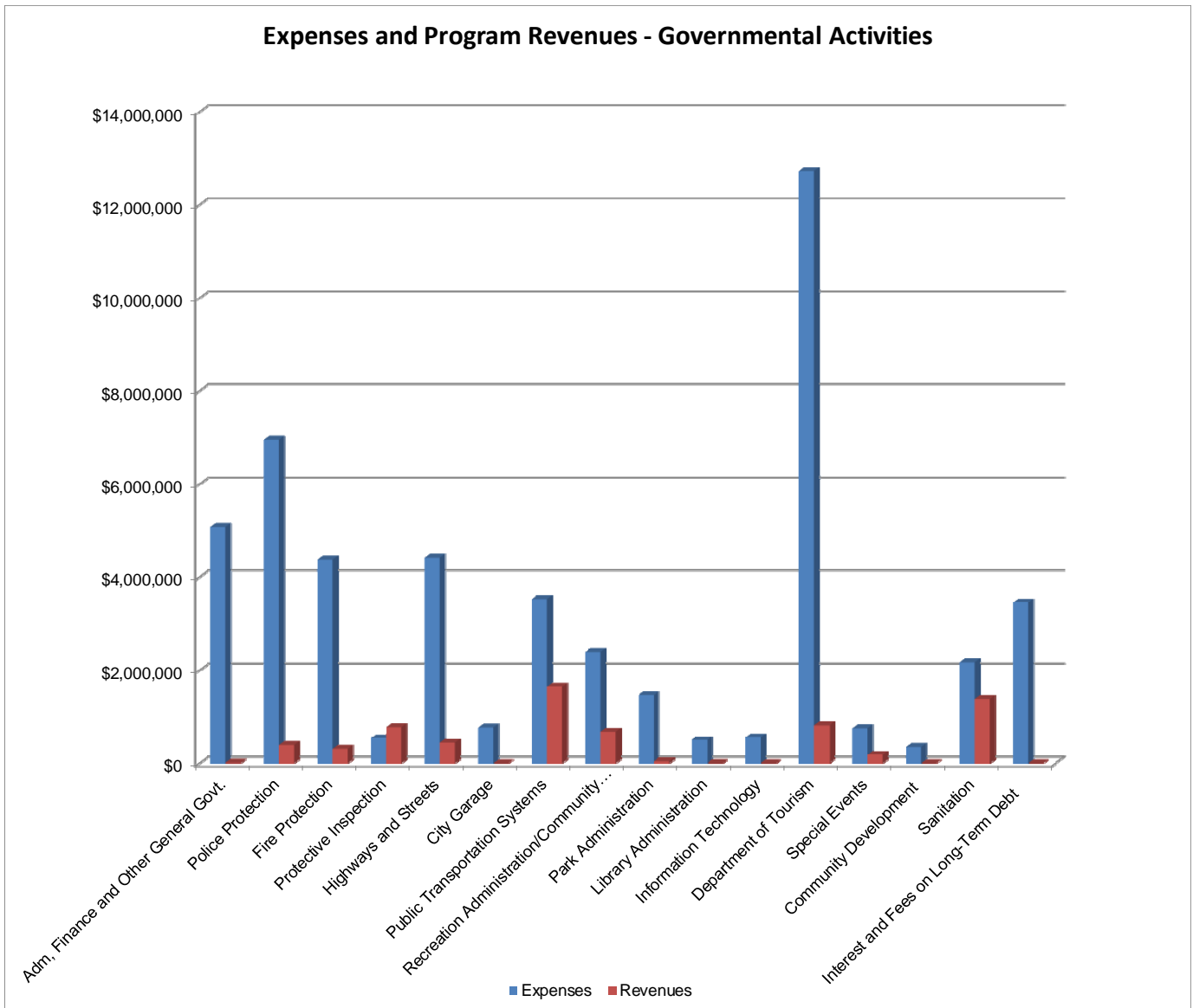
Noncurrent liabilities in the governmental activities increased by approximately \$26,510,000 primarily due to the issuance of bond series 2018 to be used for the purchase land to construct a surface parking lot, the construction of a parking lot, a pedestrian bridge, and the construction of a mass transit facility.

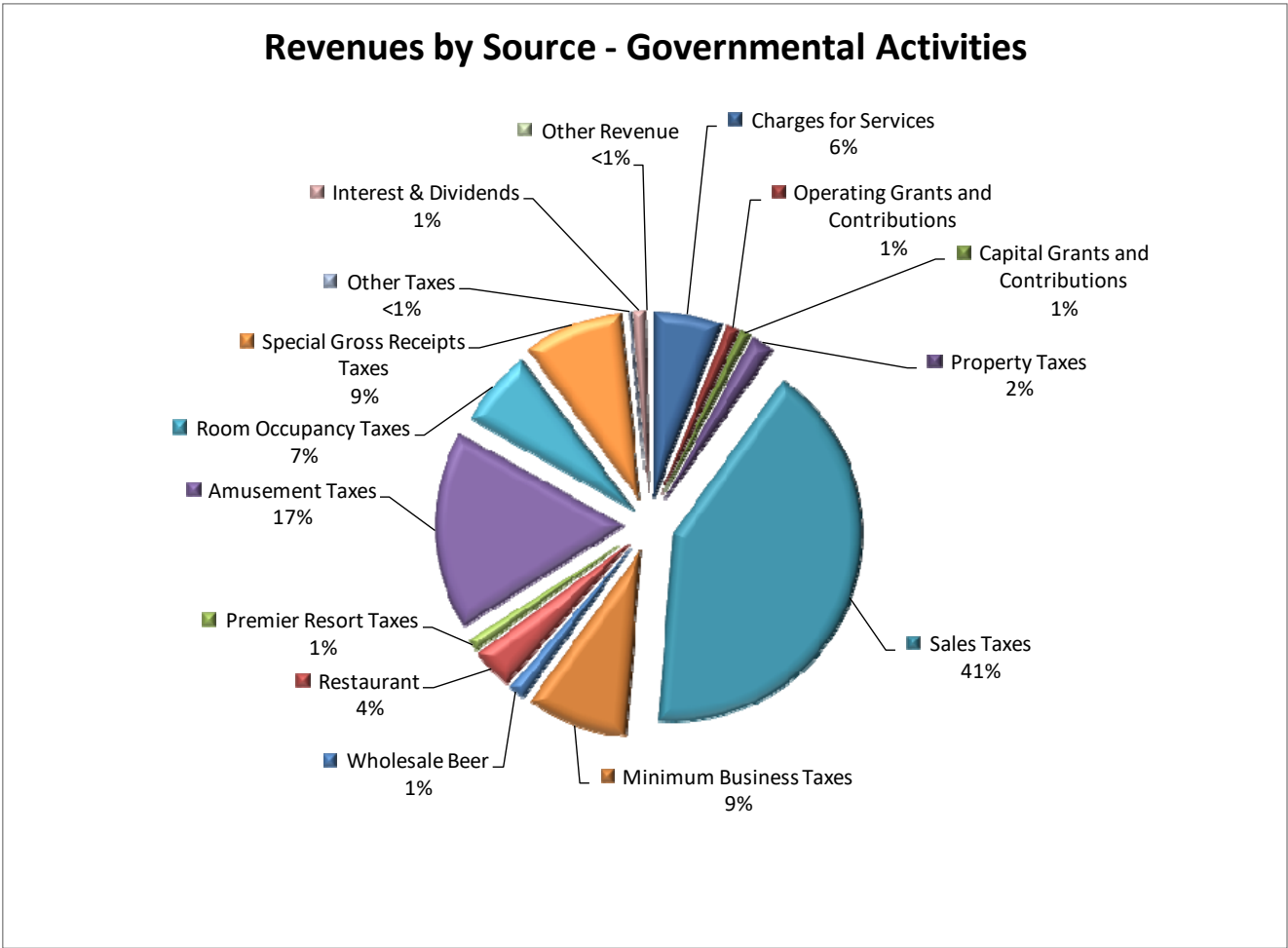
City of Pigeon Forge, Condensed Statement of Changes in Net Position for the Years Ended June 30, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 4,935,939	\$ 4,244,894	\$ 20,597,390	\$ 19,364,979	\$ 25,533,329	\$ 23,609,873
Operating Grants and Contributions	1,001,448	2,649,471	0	0	1,001,448	2,649,471
Capital Grants and Contributions	742,635	2,068,654	0	0	742,635	2,068,654
General Revenues:						
Taxes:						
Property	1,717,350	1,943,263	0	0	1,717,350	1,943,263
Sales	35,356,919	33,925,382	0	0	35,356,919	33,925,382
Premier Resort	7,395,865	6,779,744	0	0	7,395,865	6,779,744
Minimum Business	1,219,632	1,128,538	0	0	1,219,632	1,128,538
Restaurant	3,008,189	2,851,795	0	0	3,008,189	2,851,795
Wholesale Beer	934,377	888,540	0	0	934,377	888,540
Special Gross Receipts	14,591,266	13,540,404	0	0	14,591,266	13,540,404
Amusement	5,699,296	5,051,270	0	0	5,699,296	5,051,270
Room Occupancy	7,298,196	6,738,751	0	0	7,298,196	6,738,751
Other Taxes	249,538	181,578	0	0	249,538	181,578
Other General Revenues	1,123,265	473,885	298,098	109,582	1,421,363	583,467
Total Revenues	85,273,915	82,466,169	20,895,488	19,474,561	106,169,403	101,940,730
Expenses						
Administration, Finance and Other						
General Government	5,076,009	5,256,033	0	0	5,076,009	5,256,033
Police Protection	6,947,539	6,556,105	0	0	6,947,539	6,556,105
Fire Protection	4,373,459	3,966,255	0	0	4,373,459	3,966,255
Protective Inspection	541,232	542,189	0	0	541,232	542,189
Highways and Streets	4,412,327	3,680,525	0	0	4,412,327	3,680,525
City Garage	765,797	748,658	0	0	765,797	748,658
Public Transportation Systems	3,529,022	3,569,279	0	0	3,529,022	3,569,279
Recreation Administration /						
Community Center	2,397,116	2,141,571	0	0	2,397,116	2,141,571
Park Administration	1,465,520	1,474,219	0	0	1,465,520	1,474,219
Library Administration	501,154	503,799	0	0	501,154	503,799
Information Technology	554,392	424,798	0	0	554,392	424,798
Department of Tourism	12,720,149	14,172,758	0	0	12,720,149	14,172,758
Special Events	749,419	738,680	0	0	749,419	738,680
Community Development	350,872	322,564	0	0	350,872	322,564
Sanitation	2,169,073	2,125,143	0	0	2,169,073	2,125,143
Interest and Fees on Long-Term Debt	3,456,806	2,291,879	0	0	3,456,806	2,291,879
Water and Sewer	0	0	12,061,130	11,361,333	12,061,130	11,361,333
LeConte Center	0	0	5,517,379	5,322,131	5,517,379	5,322,131
Sports Facility	0	0	4,544,440	3,911,577	4,544,440	3,911,577
(Gain) Loss on Disposition of Capital Assets	(1,037,096)	41,797	0	0	(1,037,096)	41,797
Net (Gain) Losses on Investment Portfolio	(1,339,744)	19,196	(108,926)	38,698	(1,448,670)	57,894
(Increase) Decrease in						
Fair Value of Derivatives	0	0	223,546	(507,875)	223,546	(507,875)
Total Expenses	47,633,046	48,575,448	22,237,569	20,125,864	69,870,615	68,701,312
Contributions	(1,412,950)	(20,600)	0	0	(1,412,950)	(20,600)
Transfers	(5,841,918)	(4,008,082)	5,841,918	4,008,082	0	0
Change in Net Position	30,386,001	29,862,039	4,499,837	3,356,779	34,885,838	33,218,818
Net Position - Beginning of Year	135,147,948	106,058,681	87,773,004	84,554,934	222,920,952	190,613,615
Restatement of Beginning Net Position	0	(772,772)	0	(138,709)	0	(911,481)
Net Position - End of Year	\$ 165,533,949	\$ 135,147,948	\$ 92,272,841	\$ 87,773,004	\$ 257,806,790	\$ 222,920,952

Governmental Activities - Governmental activities increased the City's net position in the current year by \$30,386,001 compared to an increase of \$29,862,039 in 2018. Key elements of the change in net position are as follows:

- Sales tax revenue increased approximately \$1,432,000, restaurant tax increased approximately \$156,000, gross receipts tax revenue increased approximately \$1,051,000, amusement tax revenue increased approximately \$648,000, and room occupancy tax revenue increased approximately \$559,000 primarily due to growth in businesses and tourist attractions.
- Operating grants and contributions decreased approximately \$1,648,000 primarily due to less grant funding for operating needs.
- Capital grants and contributions decreased approximately \$1,326,000 primarily due to fewer grant funds received in the current year.
- Highways and Streets expenses increased approximately \$732,000 primarily due to additional street paving.
- Department of Tourism expenses decreased approximately \$1,453,000 primarily due to a special marketing campaign that was completed in the prior year.
- Interest and Fees on Long-Term Debt increased approximately \$1,165,000 due to changes in variable rate debt and the long-term debt payment schedules with the issuance of bond series 2018.





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

Business-Type Activities. The business-type activities (Water and Sewer Fund, LeConte Center Fund, Sports Facility Fund) increased the City’s net position by \$4,499,837 in the current year, compared to an increase of \$3,356,779 in the prior year. Key elements of the current year increase in net position related to business-type activities are as follows:

- Total Operating Revenues for the business-type activities increased by approximately \$1,232,000 primarily as a result of growth in water and sewer services and increased operating revenues from the operations of the Sports Facility Fund.
- Nonoperating expenses increased approximately \$411,000 due to the change in fair value of derivatives – Interest Rate Swap.
- The change in fair value of the interest rate swap (derivative) is recorded as an increase or decrease in net position. For 2019, the change was a decrease in fair value of \$223,546 as compared to an increase in fair value of \$507,875 in 2018.

Discretely Presented Component Unit - Industrial Development Board

	<u>Component Unit</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Current and Other Assets	\$ 3,341,244	\$ 1,240
Net Investment in Capital Lease	47,537,664	47,938,997
Total Assets	<u>\$ 50,878,908</u>	<u>\$ 47,940,237</u>
Liabilities		
Current Liabilities	\$ 637,657	\$ 588,990
Noncurrent Liabilities	48,371,340	48,907,467
Total Liabilities	<u>49,008,997</u>	<u>49,496,457</u>
Deferred Inflows of Resources	<u>3,340,000</u>	<u>0</u>
Net Position		
Unrestricted (Deficit)	<u>(1,470,089)</u>	<u>(1,556,221)</u>
Total Net Position (Deficit)	<u>(1,470,089)</u>	<u>(1,556,221)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 50,878,908</u>	<u>\$ 47,940,236</u>

	<u>Component Unit</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Interest From Capital Lease	\$ 2,265,545	\$ 2,282,246
Contributions from City of Pigeon Forge	1,412,950	20,600
Interest and Dividends	5	0
	<u>3,678,500</u>	<u>2,302,846</u>
Expenses		
Interest Expense, Net	2,179,418	2,196,119
General and Administrative	12,950	20,600
Developer Contributions	1,400,000	0
	<u>3,592,368</u>	<u>2,216,719</u>
Change in Net Position	86,132	86,127
Net Position - Beginning of Year (Deficit)	<u>(1,556,221)</u>	<u>(1,642,348)</u>
Net Position - End of Year (Deficit)	<u>\$ (1,470,089)</u>	<u>\$ (1,556,221)</u>

In 2011, the Board issued bonds in the amount of \$49,445,000 to fund the development of an events center and a capital lease agreement was entered into where the Board agreed to lease all property of the events center to the City. Upon completion of construction of the LeConte Center in September 2013, all leased property was transferred and recorded as an asset of the City in the LeConte Center fund with a corresponding lease liability to the Board and with a lease receivable (net investment in capital lease) recorded on the Board. The actual bond liability remains on the books of the Board (included above in noncurrent liabilities). The Board is a separate legal entity from the City and therefore has been reported as a discretely presented component unit within these financial statements.

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

Lease revenues in 2019 and 2018 for the Board consist of interest revenue recognized from the LeConte Center lease agreement. Current and prior year interest expense represents interest expensed for the related bond issue.

Contributions from the City to the Board in 2019 consisted of \$1,400,000 to fund the first of three installments of a contribution agreement to promote economic development.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$117,924,592, after a current year excess of revenues and other financing sources over expenditures and other financing uses of \$37,581,455. Approximately 71% of this ending fund balance, or \$84,293,570, constitutes unrestricted fund balance, which is available for spending at the government's discretion. The City has committed approximately \$71,000 of the unrestricted fund balance for future capital outlay and assigned approximately \$3,071,000 for various purposes. The General Fund restricted fund balance includes approximately \$417,000, of unspent debt proceeds issued to fund various future capital outlay expenditures. The remainder of fund balance is nonspendable or restricted primarily for the purposes of the special revenue funds or the funds are invested in material inventories in the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$83,893,924, while total General Fund balance reached \$85,099,633. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The unrestricted General Fund balance represents approximately 119% of total General Fund expenditures, while the total General Fund balance represents approximately 121% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$27,318,944 during the current fiscal year. General Fund revenues in 2019 increased over 2018 by approximately \$2,483,000 (see discussion on revenue increases noted above) during the fiscal year and General Fund expenditures increased by approximately \$20,365,000. The following expense increases/decreases were noteworthy:

- City Hall Buildings decreased by approximately \$262,000 primarily due to the completion of the IT addition at City Hall in the prior year.
- Legislative decreased by approximately \$267,000 primarily due to a donation to Walter State Community College in the amount of \$250,000 in the prior year.
- Other General Government increased approximately \$19,677,000 primarily due to the purchase of land for a surface parking lot adjacent to the LeConte Center and construction costs associated with the surface parking lot.
- Grant Projects decreased approximately \$996,000 primarily due to decreased capital outlay.
- Highways and Streets increased approximately \$799,000 primarily due to an increase in paving city streets.
- Information Technology increased approximately \$272,000 primarily due to running fiber to multiple locations in the city and other capital purchases.
- Recreation Administration/Community Center increased approximately \$545,000 primarily due to an increase in outdoor pool renovations.

Intergovernmental sales tax in the tourism development zone fund increased \$2,085,542. The amount varies from year to year based upon economic activity and growth in business in the development zone.

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

Unrestricted net position of the Proprietary Funds at the end of the year amounted to \$43,448,926. Other factors concerning the financial activity of this fund have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

The City made certain supplementary budgetary appropriations during the year. Differences between the original budget and the final amended budget amounted to net *increases* of budgeted expenditures and transfers totaling \$19,965,207.

The major adjustments are as follows:

- \$18,851,607 in increases allocated to Other General Government primarily due to the purchase of land for a surface parking lot adjacent to the LeConte Center and construction costs associated with the surface parking lot.
- \$685,500 in increases allocated to Debt Service primarily due to fees for the issuance of bond series 2018 and an interest payment.

Capital Asset and Debt Administration

Capital Assets. The investment in capital assets for the City's governmental and business-type activities as of June 30, 2019, amounts to \$294,059,973 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, equipment, vehicles, park facilities, roads, highways, bridges and water/sewer infrastructure.

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

- The City purchased approximately \$1,504,000 of new vehicles for various departments.
- The City purchased various pieces of new equipment for approximately \$1,522,000 during the year.
- The City purchased approximately 23 acres on Teaster Lane for the Auxiliary Parking Lot Expansion.
- The City completed waterline upgrades to Town Overlook and Vickwood Drive in December 2018.
- The City has several capital projects in the engineering and construction phases. The construction in progress additions in the current year primarily include the following projects: Greenway Extension - \$272,000, Jake Thomas Road Extension - \$677,000 and Auxiliary Parking Lot Expansion - \$4,847,000.

Capital assets, net of depreciation, as of June 30, 2019 and 2018 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 53,862,131	\$ 40,096,541	\$ 29,721,159	\$ 29,721,159	\$ 83,583,290	\$ 69,817,700
Construction in Progress	20,238,617	14,816,143	875,676	995,906	21,114,293	15,812,049
Buildings	19,524,653	19,762,920	70,105,765	70,105,765	89,630,418	89,868,685
Improvements Other Than Buildings	11,242,720	11,242,720	36,847,804	36,847,804	48,090,524	48,090,524
Machinery and Equipment	7,570,023	6,563,046	4,321,816	3,927,891	11,891,839	10,490,937
Vehicles	17,313,530	17,202,637	1,163,145	1,134,143	18,476,675	18,336,780
Infrastructure	58,921,003	58,821,003	55,211,106	53,498,543	114,132,109	112,319,546
Accumulated Depreciation	(52,444,398)	(50,460,179)	(40,414,777)	(36,116,794)	(92,859,175)	(86,576,973)
	<u>\$ 136,228,279</u>	<u>\$ 118,044,831</u>	<u>\$ 157,831,694</u>	<u>\$ 160,114,417</u>	<u>\$ 294,059,973</u>	<u>\$ 278,159,248</u>

Additional information on the City's capital assets can be found in Note 7 on pages 26 and 27 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$212,135,343. All of the debt is backed by the full faith and credit of the City. Additionally, the City has pledged certain revenues to retire some its long-term debt issuances. The City's long-term debt as of June 30, 2019 and 2018 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 83,905,243	\$ 57,252,639	\$ 50,609,740	\$ 51,057,344	\$ 134,514,983	\$ 108,309,983
Loans Payable to the Public						
Building Authority of Sevier County	16,845,000	16,995,000	10,540,000	11,000,000	27,385,000	27,995,000
Capital Lease	0	0	47,350,000	47,800,000	47,350,000	47,800,000
	100,750,243	74,247,639	108,499,740	109,857,344	209,249,983	184,104,983
Plus Premiums on Issuance	2,787,182	1,939,269	98,178	118,840	2,885,360	2,058,109
Total	<u>\$ 103,537,425</u>	<u>\$ 76,186,908</u>	<u>\$ 108,597,918</u>	<u>\$ 109,976,184</u>	<u>\$ 212,135,343</u>	<u>\$ 186,163,092</u>

The City's total debt increased by approximately \$25,972,000 (14%) during the current fiscal year. This change is primarily due to the issuance of bond series 2018.

	Component Unit	
	2019	2018
Public Facility Bonds Series 2011	\$ 47,350,000	\$ 47,750,000
Plus Premiums on Issuance	1,471,340	1,557,467
Total	<u>\$ 48,821,340</u>	<u>\$ 49,307,467</u>

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

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

Additional information on the City's long-term debt can be found in Note 9 on pages 28 through 33 of this report.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of deferred charges resulting from debt refundings. Deferred inflows of resources consist of property taxes, the negative fair value of the derivative instrument and deferred other post-employment benefits. Deferred outflows of resources increased approximately \$3,069,000 primarily due to deferred contributions to component unit. Deferred inflows increased approximately \$260,000 primarily due to a decrease in the negative fair value of the derivative instrument. The Board's deferred inflows of resources consist of contributions receivable from the City for development.

Future Outlook and Next Year's Budget

The General Fund revenue estimates for next year (fiscal year ended June 30, 2020) were projected with an increase of 5.0%.

The Water and Sewer Fund budget for next year was prepared using a projected operating revenue increase of approximately 1.0%.

In April of 2006, the State of Tennessee approved the City's application for a Tourism Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. Under the TDZ plan, the City is authorized to borrow up to \$179 million to develop new Qualified Public Use Facilities. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately \$144 million through June 30, 2019. These borrowings will be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the State of Tennessee, included a civic events center, mass transit facility, amphitheater and festival center. Other planned TDZ projects included a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, completed the waste water treatment plant, constructed the LeConte Center, and is in the process of construction of a surface parking lot and pedestrian bridge and the design and construction of a mass transit facility.

Requests for Information

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

CITY OF PIGEON FORGE
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Industrial Development Board
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 40,360,121	\$ 20,937,142	\$ 61,297,263	\$ 1,244
Certificates of Deposit	10,094,863	2,065,246	12,160,109	0
Investments	41,295,449	15,064,972	56,360,421	0
Receivables, Net	8,891,383	2,198,720	11,090,103	0
Sponsorships Receivable	0	36,269	36,269	0
City of Pigeon Forge Contributions Receivable	0	0	0	2,800,000
Net Investment in Capital Lease - Current Portion	0	0	0	450,000
Inventories	425,645	543,441	969,086	0
Prepaid Items	2,989	176,875	179,864	0
Total Current Assets	101,070,450	41,022,665	142,093,115	3,251,244
NONCURRENT ASSETS				
Restricted Assets:				
Cash and Cash Equivalents	3,874,870	1,408,225	5,283,095	0
Investments	16,721,727	0	16,721,727	0
Receivable - TDZ and Streets	16,795,926	0	16,795,926	0
Net Investment in Capital Lease	0	0	0	47,087,664
City of Pigeon Forge Contributions Receivable	0	0	0	540,000
Investment in Joint Venture	0	6,000,522	6,000,522	0
Capital Assets:				
Nondepreciable	74,100,748	30,596,835	104,697,583	0
Depreciable, Net of Accumulated Depreciation	62,127,531	127,234,859	189,362,390	0
Total Noncurrent Assets	173,620,802	165,240,441	338,861,243	47,627,664
Total Assets	274,691,252	206,263,106	480,954,358	50,878,908
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Contributions to Component Unit	3,340,000	0	3,340,000	0
Deferred Other Post-Employment Benefits	31,497	4,256	35,753	0
Deferred Charge on Refunding	581,946	184,002	765,948	0
Total Deferred Outflows of Resources	3,953,443	188,258	4,141,701	0
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 278,644,695	\$ 206,451,364	\$ 485,096,059	\$ 50,878,908
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 2,443,508	\$ 994,857	\$ 3,438,365	\$ 0
Internal Balances	(119,685)	119,685	0	0
Accrued Interest	273,770	369,210	642,980	187,657
Taxes Payable	6,282	115,835	122,117	0
Unearned Revenue	0	1,679,448	1,679,448	0
Other Long-Term Liabilities - Current Portion	3,471,000	67,000	3,538,000	0
Long-Term Debt - Current Portion	6,313,468	1,381,532	7,695,000	450,000
Total Current Liabilities	12,388,343	4,727,567	17,115,910	637,657
NONCURRENT LIABILITIES				
Other Long-Term Liabilities	2,033,712	193,793	2,227,505	0
Long-Term Debt	97,223,957	107,216,386	204,440,343	48,371,340
Total Noncurrent Liabilities	99,257,669	107,410,179	206,667,848	48,371,340
Total Liabilities	111,646,012	112,137,746	223,783,758	49,008,997
DEFERRED INFLOWS OF RESOURCES				
Deferred Current Property Taxes	1,443,193	0	1,443,193	0
Deferred Other Post-Employment Benefits	21,541	2,910	24,451	0
Derivative Instrument - Interest Rate Swap	0	2,037,867	2,037,867	0
City of Pigeon Forge Contributions	0	0	0	3,340,000
Total Deferred Inflows of Resources	1,464,734	2,040,777	3,505,511	3,340,000
NET POSITION				
Net Investment in Capital Assets	54,262,129	48,788,136	103,050,265	0
Restricted	20,524,607	35,779	20,560,386	0
Unrestricted (Deficit)	90,747,213	43,448,926	134,196,139	(1,470,089)
Total Net Position (Deficit)	165,533,949	92,272,841	257,806,790	(1,470,089)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 278,644,695	\$ 206,451,364	\$ 485,096,059	\$ 50,878,908

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

CITY OF PIGEON FORGE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

FUNCTIONS AND PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit Industrial Development Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
Administration, Finance and Other								
General Government	\$ 5,076,009	\$ 14,575	\$ 0	\$ 0	\$ (5,061,434)	\$ 0	\$ (5,061,434)	\$ 0
Police Protection	6,947,539	383,013	3,384	5,851	(6,555,291)	0	(6,555,291)	0
Fire Protection	4,373,459	60,121	0	251,901	(4,061,437)	0	(4,061,437)	0
Protective Inspection	541,232	771,701	0	0	230,469	0	230,469	0
Highways and Streets	4,412,327	92,302	349,264	0	(3,970,761)	0	(3,970,761)	0
City Garage	765,797	0	0	0	(765,797)	0	(765,797)	0
Public Transportation Systems	3,529,022	557,264	648,300	443,257	(1,880,201)	0	(1,880,201)	0
Recreation Administration/Community Center	2,397,116	678,229	0	0	(1,718,887)	0	(1,718,887)	0
Park Administration	1,465,520	0	0	41,626	(1,423,894)	0	(1,423,894)	0
Library Administration	501,154	1,566	500	0	(499,088)	0	(499,088)	0
Information Technology	554,392	0	0	0	(554,392)	0	(554,392)	0
Department of Tourism	12,720,149	808,397	0	0	(11,911,752)	0	(11,911,752)	0
Special Events	749,419	184,760	0	0	(564,659)	0	(564,659)	0
Community Development	350,872	0	0	0	(350,872)	0	(350,872)	0
Sanitation	2,169,073	1,384,011	0	0	(785,062)	0	(785,062)	0
Interest and Fees on Long-Term Debt	3,456,806	0	0	0	(3,456,806)	0	(3,456,806)	0
Total Governmental Activities	50,009,886	4,935,939	1,001,448	742,635	(43,329,864)	0	(43,329,864)	0
Business-Type Activities:								
Water and Sewer	12,061,130	15,457,178	0	0	0	3,396,048	3,396,048	0
LeConte Center	5,517,379	1,036,408	0	0	0	(4,480,971)	(4,480,971)	0
Sports Facility	4,544,440	4,103,804	0	0	0	(440,636)	(440,636)	0
Total Business-Type Activities	22,122,949	20,597,390	0	0	0	(1,525,559)	(1,525,559)	0
Total Primary Government	\$ 72,132,835	\$ 25,533,329	\$ 1,001,448	\$ 742,635	(43,329,864)	(1,525,559)	(44,855,423)	0
Component Unit:								
Industrial Development Board	\$ 3,592,368	\$ 0	\$ 0	\$ 0	0	0	0	(3,592,368)
General Revenues								
Taxes								
Property					1,717,350	0	1,717,350	0
Sales					35,356,919	0	35,356,919	0
Premier Resort					7,395,865	0	7,395,865	0
Minimum Business					1,219,632	0	1,219,632	0
Restaurant					3,008,189	0	3,008,189	0
Wholesale Beer					934,377	0	934,377	0
Special Gross Receipts					14,591,266	0	14,591,266	0
Amusement					5,699,296	0	5,699,296	0
Room Occupancy					7,298,196	0	7,298,196	0
Other					249,538	0	249,538	0
Interest From Capital Lease					0	0	0	2,265,545
Licenses and Permits					47,720	0	47,720	0
Interest and Dividends					901,448	298,098	1,199,546	5
Rents and Royalties					174,097	0	174,097	0
Net Gain on Disposal of Capital Assets					1,037,096	0	1,037,096	0
Change in Fair Value of Investments					1,339,744	108,926	1,448,670	0
Change in Fair Value of Derivatives - Interest Rate Swap					0	(223,546)	(223,546)	0
Contributions					(1,412,950)	0	(1,412,950)	1,412,950
Interfund Transfers, Net					(5,841,918)	5,841,918	0	0
Total General Revenues and Other Items					73,715,865	6,025,396	79,741,261	3,678,500
Change in Net Position					30,386,001	4,499,837	34,885,838	86,132
Net Position (Deficit), Beginning of Year					135,147,948	87,773,004	222,920,952	(1,556,221)
Net Position (Deficit), End of Year					<u>\$ 165,533,949</u>	<u>\$ 92,272,841</u>	<u>\$ 257,806,790</u>	<u>\$ (1,470,089)</u>

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

CITY OF PIGEON FORGE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 39,976,773	\$ 0	\$ 383,347	\$ 40,360,120
Certificates of Deposit	10,094,863	0	0	10,094,863
Investments	27,915,988	29,683,845	0	57,599,833
Property Taxes Receivables, Net	1,522,390	0	0	1,522,390
Other Tax and Nonexchange Revenue	7,368,993	0	0	7,368,993
Due from Other Funds	2,975	0	118,959	121,934
Inventories	425,645	0	0	425,645
Prepays	2,989	0	0	2,989
Restricted Assets:				
Cash	1,103,378	0	2,771,492	3,874,870
Investments	417,343	0	0	417,343
Receivables	0	0	58,979	58,979
TOTAL ASSETS	\$ 88,831,337	\$ 29,683,845	\$ 3,332,777	\$ 121,847,959
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 2,254,095	\$ 0	\$ 189,414	\$ 2,443,509
Due to Other Funds	0	0	2,249	2,249
Taxes Payable	6,282	0	0	6,282
Total Liabilities	2,260,377	0	191,663	2,452,040
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	1,471,327	0	0	1,471,327
Total Deferred Inflows of Resources	1,471,327	0	0	1,471,327
FUND BALANCES				
Non-Spendable:				
General Fund				
Inventory On Hand	425,645	0	0	425,645
Prepays	2,989	0	0	2,989
Restricted:				
General Fund	777,075	0	0	777,075
Special Revenue Funds:				
State Street Aid Fund	0	0	1,115,403	1,115,403
Solid Waste Fund	0	0	1,313,869	1,313,869
Drug Fund	0	0	312,196	312,196
TDZ Fund	0	29,683,845	0	29,683,845
Unrestricted:				
Committed	71,059	0	0	71,059
Assigned	2,671,129	0	399,646	3,070,775
Unassigned	81,151,736	0	0	81,151,736
Total Fund Balances	85,099,633	29,683,845	3,141,114	117,924,592
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 88,831,337	\$ 29,683,845	\$ 3,332,777	\$ 121,847,959

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

CITY OF PIGEON FORGE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2019

Ending Total Fund Balances - Governmental Funds - Balance Sheet (page 3)	\$ 117,924,592
Amounts reported for governmental activities in the statement of net positions are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	136,228,279
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	16,765,083
Deferred contributions to Component Unit are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	3,340,000
Contributions payable to Component Unit are not due and payable in the current period and, therefore, are not reported in the funds.	(3,340,000)
Accrued compensated absences and other post employment benefits, net of deferred other post employment benefits inflows are not due and payable in the current period and, therefore, are not reported in the funds.	(2,154,756)
Long-term debt, net of unamortized premiums and unamortized deferred losses, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(103,229,249)</u>
Net Position of Governmental Activities - Statement of Net Position (page 1)	<u>\$ 165,533,949</u>

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

CITY OF PIGEON FORGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property Tax	\$ 1,435,493	\$ 0	\$ 0	\$ 1,435,493
Payments in Lieu of Tax	281,857	0	0	281,857
Local Sales Tax	16,534,429	0	0	16,534,429
Wholesale Beer Tax	934,377	0	0	934,377
Minimum Business Tax	1,219,632	0	0	1,219,632
Amusement Tax	5,699,296	0	0	5,699,296
Gross Receipts Tax	14,591,266	0	0	14,591,266
Restaurant Tax	3,008,189	0	0	3,008,189
Cable Television Franchise Tax	153,188	0	0	153,188
Room Occupancy Tax	7,298,196	0	0	7,298,196
Other Taxes	6,987	0	0	6,987
Total Taxes	<u>51,162,910</u>	<u>0</u>	<u>0</u>	<u>51,162,910</u>
Intergovernmental:				
Grants	1,403,399	0	0	1,403,399
Sales Tax	0	16,736,947	0	16,736,947
State Premier Resort Tax	7,395,865	0	0	7,395,865
State Gasoline and Motor Fuel Tax	0	0	340,685	340,685
Other	70,666	0	0	70,666
Total Intergovernmental	<u>8,869,930</u>	<u>16,736,947</u>	<u>340,685</u>	<u>25,947,562</u>
Licenses and Permits	819,421	0	0	819,421
Fees and Charges for Services	2,429,378	0	1,374,334	3,803,712
Fines and Penalties	284,240	0	76,287	360,527
Interest and Dividends	380,333	302,177	1,444	683,954
Net Gain on Investment Portfolio	403,830	935,914	0	1,339,744
Rents and Royalties	174,097	0	0	174,097
Other Revenues	303,828	0	0	303,828
	<u>4,795,127</u>	<u>1,238,091</u>	<u>1,452,065</u>	<u>7,485,283</u>
Total Revenues	<u>64,827,967</u>	<u>17,975,038</u>	<u>1,792,750</u>	<u>84,595,755</u>
EXPENDITURES				
Current:				
Administration, Finance and Other General Government:				
City Court	23,435	0	0	23,435
City Hall Building Operations	110,698	0	0	110,698
Financial Administration	1,201,296	0	0	1,201,296
Legislative	536,688	0	0	536,688
Other General Government	22,916,056	0	0	22,916,056
City Maintenance	911,859	0	0	911,859
Grant Projects	1,300,251	0	0	1,300,251
City Garage	738,185	0	0	738,185
Department of Tourism	12,651,968	0	0	12,651,968
Drug Prevention	0	0	31,465	31,465
Fire Protection and Control	4,008,237	0	0	4,008,237
Highways and Streets	3,291,228	0	103,695	3,394,923
Information Technology	696,484	0	0	696,484
Library Administration	466,135	0	0	466,135
Park Administration	1,235,670	0	0	1,235,670
Police	7,382,487	0	0	7,382,487
Protective Inspection	541,232	0	0	541,232
Public Transportation Systems	3,049,278	0	0	3,049,278
Recreation Administration/Community Center	2,458,472	0	0	2,458,472
Solid Waste/Sanitation	0	0	1,959,078	1,959,078
Special Events	744,185	0	0	744,185
Community Development	335,232	0	0	335,232

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

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

For the Year Ended June 30, 2019

	General Fund	Tourism Development Zone Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES (Continued)				
Debt Service:				
Principal Retirement	\$ 3,995,000	\$ 1,777,396	\$ 0	\$ 5,772,396
Interest	1,306,997	1,613,355	0	2,920,352
Fees	498,056	0	0	498,056
Capital Outlay	0	0	266,394	266,394
Total Expenditures	70,399,129	3,390,751	2,360,632	76,150,512
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,571,162)	14,584,287	(567,882)	8,445,243
OTHER FINANCING SOURCES (USES)				
Other Financing Sources:				
Issuance of Bonds	32,275,000	0	0	32,275,000
Premium on Debt Issuance	1,178,354	0	0	1,178,354
Sale of Welcome Center Building	1,524,776	0	0	1,524,776
Transfers from Other Funds	379,556	186,906	1,017,692	1,584,154
Other Financing Uses:				
Transfers to Other Funds	(2,467,580)	(4,958,492)	0	(7,426,072)
Total Other Financing Sources (Uses)	32,890,106	(4,771,586)	1,017,692	29,136,212
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	27,318,944	9,812,701	449,810	37,581,455
FUND BALANCES, BEGINNING OF YEAR	57,780,689	19,871,144	2,691,304	80,343,137
FUND BALANCES, END OF YEAR	\$ 85,099,633	\$ 29,683,845	\$ 3,141,114	\$ 117,924,592

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

CITY OF PIGEON FORGE

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

For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances (page 6)	\$ 37,581,455
Amounts Reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,651,025) was exceeded by capital outlays (\$22,356,889) in the current period.	18,705,864
In the Statement of Activities, only the net gain/loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets which were sold.	(522,416)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	2,104,240
The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. Also, governmental funds report the effect of, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(27,633,407)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in Accrued Interest Expense	(85,948)
Change in Compensated Absences Payable and Other Post Employment Benefits net of Deferred Other Post Employment Benefits	(115,787)
Change in Due to Other Governmental Agencies	<u>352,000</u>
Change in Net Position of Governmental Activities - Statement of Activities (page 2)	<u>\$ 30,386,001</u>

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

CITY OF PIGEON FORGE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Local Taxes:				
Current Year Property Taxes	\$ 1,427,618	\$ 1,427,618	\$ 1,421,806	\$ (5,812)
Payments in Lieu of Tax	519,989	519,989	281,857	(238,132)
Prior Years Property Taxes	0	0	5,823	5,823
Penalties Property Taxes	10,000	10,000	7,864	(2,136)
Amusement Tax	5,215,988	5,215,988	5,699,296	483,308
Cable Television Franchise Tax	140,000	140,000	153,188	13,188
Room Occupancy Tax	6,967,303	6,967,303	7,298,196	330,893
Local Sales Tax	16,082,928	16,082,928	16,534,429	451,501
Wholesale Beer Tax	865,200	865,200	934,377	69,177
Minimum Business Tax	1,100,000	1,100,000	1,219,632	119,632
Restaurant Tax	2,923,075	2,923,075	3,008,189	85,114
Gross Receipts Tax	13,896,300	13,896,300	14,591,266	694,966
Other Taxes	7,000	7,000	6,987	(13)
Total Taxes	49,155,401	49,155,401	51,162,910	2,007,509
Licenses and Permits:				
Beer Licenses	8,000	8,000	11,100	3,100
Building and Related Permits	215,000	215,000	343,870	128,870
Liquor Licenses	36,500	36,500	36,620	120
Alcoholic Beverage Inspection Fee	400,000	400,000	427,831	27,831
Total Licenses and Permits	659,500	659,500	819,421	159,921
Intergovernmental:				
Grants	2,328,341	2,328,341	1,403,399	(924,942)
State Premier Resort Tax	6,158,207	6,158,207	7,395,865	1,237,658
Franchise and Income Tax	25,000	25,000	56,267	31,267
Tax Sharing for Streets	12,000	12,000	11,679	(321)
State Beer and Alcohol Tax	1,500	1,500	2,720	1,220
Total Intergovernmental	8,525,048	8,525,048	8,869,930	344,882
Fees and Charges for Services:				
Mass Transit Income	440,000	440,000	557,264	117,264
Street Maintenance Contracts	89,511	89,511	92,302	2,791
Parks & Recreation Charges	646,650	646,650	678,229	31,579
Special Events Revenues	71,000	71,000	184,760	113,760
Fire Protection	57,750	57,750	60,121	2,371
Online Advertising Sales	259,465	259,465	207,528	(51,937)
Police Protection	30,000	30,000	30,000	0
Tourism Income	481,425	481,425	596,661	115,236
Miscellaneous Income	28,500	28,500	22,513	(5,987)
Total Fees and Charges for Services	2,104,301	2,104,301	2,429,378	325,077
Fines and Penalties	225,750	225,750	284,240	58,490
Interest and Dividends	93,000	93,000	380,333	287,333
Net Gain on Investment Portfolio	0	0	403,830	403,830
Rents and Royalties	77,044	77,044	174,097	97,053
Other Revenues	71,600	71,600	303,828	232,228
Total Revenues	60,911,644	60,911,644	64,827,967	3,916,323

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

CITY OF PIGEON FORGE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
Administration, Finance, and Other General Government:				
City Court:				
Personnel Costs	24,079	24,079	23,435	644
City Hall Building Operations:				
General Services	441,400	441,400	110,698	330,702
Capital Outlay	10,000	10,000	0	10,000
Total City Hall Building Operations	451,400	451,400	110,698	340,702
Financial Administration:				
Personnel Costs	1,031,769	1,062,769	1,056,759	6,010
Supplies	47,450	47,450	20,224	27,226
Maintenance	50,356	50,356	45,259	5,097
General Services	143,330	143,330	79,054	64,276
Total Financial Administration	1,272,905	1,303,905	1,201,296	102,609
Legislative:				
Personnel Costs	99,595	109,795	110,897	(1,102)
General Services	437,021	437,021	425,791	11,230
Total Legislative	536,616	546,816	536,688	10,128
Other General Government:				
Personnel Costs	1,531,820	1,222,220	168,032	1,054,188
Supplies	7,500	7,500	2,229	5,271
Maintenance	0	0	8,301	(8,301)
General Services	1,877,150	3,277,150	3,321,595	(44,445)
Capital Outlay	2,219,911	19,981,118	19,415,899	565,219
Total Other General Government	5,636,381	24,487,988	22,916,056	1,571,932
City Maintenance:				
Personnel Costs	620,248	630,748	623,376	7,372
Supplies	86,390	86,390	75,362	11,028
Maintenance	197,550	197,550	119,092	78,458
General Services	35,610	35,610	20,969	14,641
Capital Outlay	90,000	90,000	73,060	16,940
Total City Maintenance	1,029,798	1,040,298	911,859	128,439
Grant Projects:				
General Services	317,300	317,300	220,541	96,759
Capital Outlay - Greenway	1,261,841	1,261,841	209,380	1,052,461
Capital Outlay - Mass Transit	1,176,665	1,176,665	870,330	306,335
Total Grant Projects	2,755,806	2,755,806	1,300,251	1,455,555
Total Administration, Finance, and Other General Government	11,706,985	30,610,292	27,000,283	3,610,009
City Garage:				
Personnel Costs	615,790	652,790	642,443	10,347
Supplies	68,132	68,132	42,898	25,234
Maintenance	10,500	10,500	10,948	(448)
General Services	63,244	63,244	41,896	21,348
Total City Garage	757,666	794,666	738,185	56,481

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

CITY OF PIGEON FORGE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Department of Tourism:				
Personnel Costs	1,030,022	1,075,022	1,035,719	39,303
Supplies	27,050	27,050	18,998	8,052
Maintenance	9,500	9,500	5,842	3,658
General Services	1,138,465	1,138,465	905,479	232,986
Capital Outlay	50,000	50,000	0	50,000
Advertising	10,837,488	10,837,488	10,685,930	151,558
Total Department of Tourism	13,092,525	13,137,525	12,651,968	485,557
Fire Protection and Control:				
Personnel Costs	3,443,698	3,449,198	3,320,506	128,692
Supplies	389,625	389,625	356,898	32,727
Maintenance	60,860	60,860	90,412	(29,552)
General Services	168,537	168,537	150,269	18,268
Capital Outlay	94,355	94,355	90,152	4,203
Total Fire Protection and Control	4,157,075	4,162,575	4,008,237	154,338
Highway and Streets:				
Personnel Costs	1,514,508	1,548,008	1,483,421	64,587
Supplies	247,799	247,799	141,588	106,211
Maintenance	159,764	159,764	88,640	71,124
General Services	227,698	227,698	148,088	79,610
Capital Outlay	1,571,250	1,571,250	1,429,491	141,759
Total Highway and Streets	3,721,019	3,754,519	3,291,228	463,291
Information Technology:				
Personnel Costs	238,237	240,137	225,906	14,231
Supplies	1,350	1,350	1,041	309
Maintenance	69,851	69,851	56,395	13,456
General Services	179,419	179,419	150,759	28,660
Capital Outlay	189,200	307,700	262,383	45,317
Total Information Technology	678,057	798,457	696,484	101,973
Library Administration:				
Personnel Costs	366,832	366,832	364,124	2,708
Supplies	39,600	39,600	21,909	17,691
Maintenance	10,600	10,600	6,086	4,514
General Services	117,980	117,980	74,016	43,964
Total Library Administration	535,012	535,012	466,135	68,877
Park Administration:				
Personnel Costs	741,712	744,212	729,057	15,155
Supplies	119,930	119,930	108,650	11,280
Maintenance	103,840	103,840	89,468	14,372
General Services	360,888	360,888	159,138	201,750
Capital Outlay	204,500	204,500	149,357	55,143
Total Park Administration	1,530,870	1,533,370	1,235,670	297,700

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

CITY OF PIGEON FORGE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Police:				
Personnel Costs	5,877,408	5,929,908	5,701,073	228,835
Supplies	766,538	766,538	638,251	128,287
Maintenance	219,458	219,458	141,578	77,880
General Services	174,125	174,125	90,554	83,571
Capital Outlay	822,836	822,836	811,031	11,805
Total Police	7,860,365	7,912,865	7,382,487	530,378
Protective Inspection:				
Personnel Costs	478,595	497,595	496,539	1,056
Supplies	24,500	24,500	12,264	12,236
Maintenance	27,500	27,500	25,573	1,927
General Services	14,730	14,730	6,856	7,874
Total Protective Inspection	545,325	564,325	541,232	23,093
Public Transportation Systems:				
Personnel Costs	2,757,858	2,757,858	2,377,830	380,028
Supplies	633,041	633,041	395,148	237,893
Maintenance	288,174	288,174	169,243	118,931
General Services	100,317	100,317	74,404	25,913
Capital Outlay	235,600	235,600	32,653	202,947
Total Public Transportation Systems	4,014,990	4,014,990	3,049,278	965,712
Recreation Administration/Community Center:				
Personnel Costs	1,401,797	1,444,797	1,385,978	58,819
Supplies	209,960	209,960	165,954	44,006
Maintenance	32,180	32,180	24,160	8,020
General Services	585,808	585,808	582,393	3,415
Capital Outlay	1,279,000	1,279,000	299,987	979,013
Total Recreation Administration/Community Center	3,508,745	3,551,745	2,458,472	1,093,273
Special Events:				
Personnel Costs	266,395	267,395	261,629	5,766
Supplies	11,900	11,900	3,333	8,567
Maintenance	5,800	5,800	2,789	3,011
General Services	513,458	513,458	453,453	60,005
Capital Outlay	30,000	30,000	22,981	7,019
Total Special Events	827,553	828,553	744,185	84,368
Community Development:				
Personnel Costs	286,966	303,966	302,548	1,418
Supplies	23,270	23,270	11,268	12,002
Maintenance	3,550	3,550	5,401	(1,851)
General Services	36,512	36,512	16,015	20,497
Total Community Development	350,298	367,298	335,232	32,066

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

CITY OF PIGEON FORGE
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Debt Service:				
Debt Service - Principal	3,995,000	3,995,000	3,995,000	0
Debt Service - Interest	1,349,485	1,536,485	1,306,997	229,488
Debt Service - Fees	0	498,500	498,056	444
Total Debt Service	<u>5,344,485</u>	<u>6,029,985</u>	<u>5,800,053</u>	<u>229,932</u>
Total Expenditures	<u>58,630,970</u>	<u>78,596,177</u>	<u>70,399,129</u>	<u>8,197,048</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,280,674</u>	<u>(17,684,533)</u>	<u>(5,571,162)</u>	<u>12,113,371</u>
Other Financing Sources (Uses):				
Other Financing Sources:				
Issuance of Bonds	0	0	32,275,000	32,275,000
Premium on Debt Issuance	0	0	1,178,354	1,178,354
Sale of Welcome Center Building	0	0	1,524,776	1,524,776
Transfers from Other Funds	0	0	379,556	379,556
Other Financing Uses:				
Transfers to Other Funds	<u>(2,280,674)</u>	<u>(2,280,674)</u>	<u>(2,467,580)</u>	<u>186,906</u>
Total Other Financing Sources (Uses)	<u>(2,280,674)</u>	<u>(2,280,674)</u>	<u>32,890,106</u>	<u>35,544,592</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	0	(19,965,207)	27,318,944	47,284,151
FUND BALANCE AT BEGINNING OF YEAR	<u>57,780,689</u>	<u>57,780,689</u>	<u>57,780,689</u>	<u>0</u>
FUND BALANCE AT END OF YEAR	<u>\$ 57,780,689</u>	<u>\$ 37,815,482</u>	<u>\$ 85,099,633</u>	<u>\$ 47,284,151</u>

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

CITY OF PIGEON FORGE
SPECIAL REVENUE FUND - TOURISM DEVELOPMENT ZONE FUND
STATEMENT OF TOURISM DEVELOPMENT ZONE FUND BUDGETARY COMPARISON
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
State Sales Tax	\$ 14,651,404	\$ 14,651,404	\$ 16,736,947	\$ 2,085,543
Interest	0	0	302,177	302,177
Net Gain on Investment Portfolio	0	0	935,914	935,914
Total Revenues	<u>14,651,404</u>	<u>14,651,404</u>	<u>17,975,038</u>	<u>3,323,634</u>
EXPENDITURES				
Debt Service - Principal	797,396	1,777,396	1,777,396	0
Debt Service - Interest	1,273,691	1,613,691	1,613,355	336
Total Expenditures	<u>2,071,087</u>	<u>3,391,087</u>	<u>3,390,751</u>	<u>336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,580,317</u>	<u>11,260,317</u>	<u>14,584,287</u>	<u>3,323,970</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	0	0	186,906	186,906
Transfer to LeConte Center Fund	(2,667,875)	(2,667,875)	(2,666,878)	997
Transfer to General Fund	0	0	(379,556)	(379,556)
Transfer to Water and Sewer Fund	0	0	(1,912,058)	(1,912,058)
Total Other Financing Sources (Uses)	<u>(2,667,875)</u>	<u>(2,667,875)</u>	<u>(4,771,586)</u>	<u>(2,103,711)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	9,912,442	8,592,442	9,812,701	1,220,259
FUND BALANCE, BEGINNING OF YEAR	<u>19,871,144</u>	<u>19,871,144</u>	<u>19,871,144</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 29,783,586</u>	<u>\$ 28,463,586</u>	<u>\$ 29,683,845</u>	<u>\$ 1,220,259</u>

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

CITY OF PIGEON FORGE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2019

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 15,315,161	\$ 3,119,107	\$ 2,502,874	\$ 20,937,142
Certificates of Deposit	1,065,246	0	1,000,000	2,065,246
Investments	15,064,972	0	0	15,064,972
Receivables, Net	2,198,720	0	0	2,198,720
Sponsorships Receivable	0	0	36,269	36,269
Prepaid Items	0	0	176,875	176,875
Inventories	309,925	0	233,516	543,441
Total Current Assets	33,954,024	3,119,107	3,949,534	41,022,665
NONCURRENT ASSETS				
Restricted Cash and Cash Equivalents	1,408,225	0	0	1,408,225
Investment in Joint Venture	6,000,522	0	0	6,000,522
Capital Assets:				
Nondepreciable	15,161,489	3,185,168	12,250,178	30,596,835
Depreciable, Net of Accumulated Depreciation	66,298,963	45,090,424	15,845,472	127,234,859
Total Capital Assets, Net of Accumulated Depreciation	81,460,452	48,275,592	28,095,650	157,831,694
Total Noncurrent Assets	88,869,199	48,275,592	28,095,650	165,240,441
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Other Post-Employment Benefits	3,162	1,094	0	4,256
Deferred Charge on Refunding	184,002	0	0	184,002
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 123,010,387	\$ 51,395,793	\$ 32,045,184	\$ 206,451,364
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 157,534	\$ 107,821	\$ 729,502	\$ 994,857
Due to Other Funds, Net	119,777	(92)	0	119,685
Accrued Interest	181,554	187,656	0	369,210
Taxes Payable	76,126	71	39,638	115,835
Compensated Absences - Current Portion	60,000	7,000	0	67,000
Unearned Revenue	0	191,200	1,488,248	1,679,448
Long-Term Debt - Current Portion	931,532	450,000	0	1,381,532
Total Current Liabilities	1,526,523	943,656	2,257,388	4,727,567
NONCURRENT LIABILITIES				
Compensated Absences	20,184	28,197	0	48,381
Other Post-Employment Benefits	108,020	37,392	0	145,412
Long-Term Debt	60,316,386	46,900,000	0	107,216,386
Total Noncurrent Liabilities	60,444,590	46,965,589	0	107,410,179
Total Liabilities	61,971,113	47,909,245	2,257,388	112,137,746
DEFERRED INFLOWS OF RESOURCES				
Deferred Other Post-Employment Benefits	2,162	748	0	2,910
Derivative Instrument - Interest Rate Swap	2,037,867	0	0	2,037,867
NET POSITION				
Net Investment in Capital Assets	19,766,894	925,592	28,095,650	48,788,136
Restricted for Capital Asset Activities	35,779	0	0	35,779
Unrestricted	39,196,572	2,560,208	1,692,146	43,448,926
Total Net Position	58,999,245	3,485,800	29,787,796	92,272,841
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 123,010,387	\$ 51,395,793	\$ 32,045,184	\$ 206,451,364

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

CITY OF PIGEON FORGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
OPERATING REVENUES				
Fees and Charges for Services	\$ 14,808,581	\$ 1,036,408	\$ 3,632,346	\$ 19,477,335
Fines and Penalties	111,935	0	0	111,935
Other Revenues	250,994	0	0	250,994
Tap Fees	285,668	0	0	285,668
Sponsorships	0	0	471,458	471,458
Total Operating Revenues	<u>15,457,178</u>	<u>1,036,408</u>	<u>4,103,804</u>	<u>20,597,390</u>
OPERATING EXPENSES				
Purification	1,318,747	0	0	1,318,747
Transmission and Distribution	1,704,232	0	0	1,704,232
Sewer System	424,507	0	0	424,507
Sewer Treatment and Disposal	2,976,619	0	0	2,976,619
Customer Accounting and Collections	169,837	0	0	169,837
Administrative and General	886,710	0	0	886,710
Personnel Costs	0	544,594	692,584	1,237,178
Supplies	0	213,939	5,989	219,928
Maintenance	0	82,201	136,803	219,004
General Services	0	996,666	2,759,958	3,756,624
Depreciation	1,972,106	1,414,434	949,106	4,335,646
Total Operating Expenses	<u>9,452,758</u>	<u>3,251,834</u>	<u>4,544,440</u>	<u>17,249,032</u>
OPERATING INCOME (LOSS)	<u>6,004,420</u>	<u>(2,215,426)</u>	<u>(440,636)</u>	<u>3,348,358</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Dividends	298,098	0	0	298,098
Debt Service Fees	(64,250)	0	0	(64,250)
Interest Expense	(2,544,122)	0	0	(2,544,122)
Interest on Capital Lease	0	(2,265,545)	0	(2,265,545)
Change in Fair Value of Investments	108,926	0	0	108,926
Change in Fair Value of Derivatives - Interest Rate Swap	(223,546)	0	0	(223,546)
Total Nonoperating Expenses	<u>(2,424,894)</u>	<u>(2,265,545)</u>	<u>0</u>	<u>(4,690,439)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	3,579,526	(4,480,971)	(440,636)	(1,342,081)
TRANSFERS FROM OTHER FUNDS	<u>1,912,058</u>	<u>3,929,860</u>	<u>0</u>	<u>5,841,918</u>
CHANGE IN NET POSITION	5,491,584	(551,111)	(440,636)	4,499,837
NET POSITION, BEGINNING OF YEAR	<u>53,507,661</u>	<u>4,036,911</u>	<u>30,228,432</u>	<u>87,773,004</u>
NET POSITION, END OF YEAR	<u>\$ 58,999,245</u>	<u>\$ 3,485,800</u>	<u>\$ 29,787,796</u>	<u>\$ 92,272,841</u>

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

CITY OF PIGEON FORGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Water and Sewer Fund	LeConte Center Fund	Sports Facility Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 14,577,145	\$ 1,113,162	\$ 4,376,640	\$ 20,066,947
Cash Paid to or on Behalf of Employees	(1,583,176)	(543,669)	0	(2,126,845)
Cash Paid to Suppliers	(6,377,979)	(1,222,026)	(3,609,968)	(11,209,973)
Net Cash Provided by (Used in) Operating Activities	<u>6,615,990</u>	<u>(652,533)</u>	<u>766,672</u>	<u>6,730,129</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(1,802,735)	(61,276)	(188,912)	(2,052,923)
Principal Paid on Debt Maturities	(907,604)	(400,000)	0	(1,307,604)
Interest Expense	(2,601,292)	(2,266,879)	0	(4,868,171)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(5,311,631)</u>	<u>(2,728,155)</u>	<u>(188,912)</u>	<u>(8,228,698)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	1,912,058	3,929,860	0	5,841,918
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	<u>1,912,058</u>	<u>3,929,860</u>	<u>0</u>	<u>5,841,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Increase of Certificates of Deposit	(7,737)	0	(1,000,000)	(1,007,737)
Purchases of Investments	(12,620,427)	0	0	(12,620,427)
Cash Receipts on Sales of Investments	6,355,000	0	0	6,355,000
Interest and Dividends	298,098	0	0	298,098
Net Cash Provided by (Used in) Investing Activities	<u>(5,975,066)</u>	<u>0</u>	<u>(1,000,000)</u>	<u>(6,975,066)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,758,649)	549,172	(422,240)	(2,631,717)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>19,482,035</u>	<u>2,569,935</u>	<u>2,925,114</u>	<u>24,977,084</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,723,386</u>	<u>\$ 3,119,107</u>	<u>\$ 2,502,874</u>	<u>\$ 22,345,367</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 6,004,420	\$ (2,215,426)	\$ (440,636)	\$ 3,348,358
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	1,972,106	1,414,434	949,106	4,335,646
(Increase) Decrease in Assets:				
Accounts Receivable	(880,033)	0	(9,371)	(889,404)
Due From Other Funds	(418,678)	34	0	(418,644)
Inventories	12,247	0	(47,154)	(34,907)
Prepaid Items	0	0	(136,072)	(136,072)
Deferred Other Post Employment Benefits Outflows	(3,162)	(1,094)	0	(4,256)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	(98,095)	70,876	166,707	139,488
Taxes Payable	14,169	(130)	1,885	15,924
Compensated Absences	7,866	236	0	8,102
Other Post Employment Benefits	5,282	1,829	0	7,111
Deferred Other Post Employment Benefits Inflows	(132)	(46)	0	(178)
Unearned Revenue	0	76,754	282,207	358,961
Total Adjustments	<u>611,570</u>	<u>1,562,893</u>	<u>1,207,308</u>	<u>3,381,771</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,615,990</u>	<u>\$ (652,533)</u>	<u>\$ 766,672</u>	<u>\$ 6,730,129</u>
Supplemental Disclosure of Noncash Investing and Financing Activities				
Change in Fair Value of Derivatives - Interest Rate Swap	\$ (223,546)	\$ 0	\$ 0	\$ (223,546)
Amortization of Deferred Amount of Refunding	\$ 24,218	\$ 0	\$ 0	\$ 24,218
Amortization of Bond Premium	\$ (20,662)	\$ 0	\$ 0	\$ (20,662)
Change in Fair Value of Investments	\$ 108,926	\$ 0	\$ 0	\$ 108,926

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

CITY OF PIGEON FORGE
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounting and reporting policies of the City relating to the accounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. All applicable GASB Statements have been implemented.

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

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

The Statement of Net Position presents the City's assets, deferred outflows or resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Type - Enterprise Funds

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

Discretely Presented Component Unit

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide

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

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

Governmental Funds

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

- A. Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest revenue and charges for services (collected within sixty days after year-end).
- B. Interest and principal on general long-term debt indebtedness are not accrued but are recorded as an expenditure on their due date.
- C. Compensated absences are not accrued but are recorded as expenditures.
- D. Disbursements for purchase of capital assets providing future benefits are considered expenditures; loan and bond proceeds are reported as other financing sources.
- E. Other tax and non-exchange revenue receivable includes local and state taxes, local beer tax, state income tax, special gross receipts tax, amusement tax, room occupancy tax, cable TV franchise tax, and state gasoline and motor fuel taxes. Certain non-exchange transactions related to minimum business tax, city and court fines and costs, and drug related fines are not recognized because they are not measurable. Certain other non-exchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

Proprietary Funds

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

Major Funds

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit

The City's discretely presented component unit (Industrial Development Board) uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the fund are lease payments received from the City for the use of the LeConte Center (see Note 16). Operating expenses for the fund include general and administrative expenses and interest.

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

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

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

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

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

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

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

Investments - Investments are carried at fair value as determined by quoted market prices as of June 30, 2019, and any unrealized gain/loss is recorded in change in fair value of investments.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

Depreciation rates are as follows:

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. This consists of deferred contributions to the Board for contributions to be made to developers for economic development and deferred charges on debt refundings resulting from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred other post-employment benefits outflows represent outflows for change in assumptions for the OPEB plan.

Long-Term Obligations - The City reports long-term debt and other long-term obligations as liabilities in the government-wide and proprietary fund financial statements. Bond premiums and discounts are amortized proportionately to the amount of principal paid in a given year on the debt. Long-term debt is reported net of the applicable premium or discount.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Deferred Inflows of Resources - As noted above, property taxes for 2019 are recognized as an enforceable legal claim on January 1, 2019. However, the revenue net of estimated refunds and estimated uncollectible amounts is recognized in the year in which the levy occurs and therefore is deferred until the following year. The negative fair value of the derivative instrument is reported as a deferred inflow of resources. Deferred other post-employment benefits inflows represent inflows for change in assumptions for the OPEB plan. The Board's deferred inflows of resources consist of contributions receivable from the City for development.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

GASB Statement No. 88 - During the fiscal year ended June 30, 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires enhanced disclosures for certain debt borrowings.

GASB Statement No. 89 - During the fiscal year ended June 30, 2019, the City implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Reclassifications - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2018 balances may have been reclassified in order to be consistent with their classification for June 30, 2019.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

Custodial Credit Risk - Deposits - In the case of cash and certificates of deposit, this is the risk that in the event of a bank failure, the City's deposits will not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019, the book balances of cash, certificates of deposit, and restricted cash totaled \$78,740,467 and the bank balances totaled \$80,076,927 (\$2,176,004 of which was covered by FDIC insurance, \$58,620,546 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department and \$19,280,377 which is in a financial institution not participating in the bank pool, but this institution pledges collateral held in safekeeping by a third party bank acting as an agent of the City in the City's name).

The Board has book and bank balances of cash and restricted cash totaling \$1,244 as of June 30, 2019. The Board has no balance of uninsured cash as of June 30, 2019.

NOTE 3 - INVESTMENTS

Investment Policies

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Investing is performed in accordance with investment policies which comply with applicable state statutes. The City's Investment Policy allows only investments in the highest-grade securities. As of June 30, 2019, The City's investment holdings were in compliance with state statutes.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount it may invest in any one issuer. As of June 30, 2019, 100% of the City's investments are in U.S. Treasuries. All U.S. Treasuries have an Aaa credit rating.

NOTE 3 - INVESTMENTS (Continued)

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment broker at June 30, 2019 provides Securities Investor Protection Corporation (SIPC) and other insurance.

As of June 30, 2019, the City had the following investments:

Investments	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 4 Years</u>
Primary Government:				
U.S. Treasuries	\$ <u>73,082,148</u>	\$ <u>37,593,664</u>	\$ <u>32,902,047</u>	\$ <u>2,586,437</u>

NOTE 4 - FAIR VALUE OF INVESTMENTS

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

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

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

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

The following table summarizes the assets and liabilities of the City and Board for which fair values are determined on a recurring basis as of June 30, 2019:

	Carrying Amount in the Balance Sheet	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government Investments:				
U.S. Treasuries	\$ <u>73,082,148</u>	\$ <u>73,082,148</u>	\$ <u>0</u>	\$ <u>0</u>
Derivative Liability:				
Derivative Liability - Interest Rate Swap	\$ <u>2,037,867</u>	\$ <u>0</u>	\$ <u>2,037,867</u>	\$ <u>0</u>

NOTE 5 - OTHER TAX AND NONEXCHANGE REVENUE RECEIVABLE

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

	<u>General Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Other Tax and Nonexchange Revenue Receivable:			
Interest	\$ 40,746	\$ 0	\$ 40,746
Taxes:			
Sales	1,461,179	0	1,461,179
Special Gross Receipts	1,656,236	0	1,656,236
Amusement	716,370	0	716,370
Restaurant	346,748	0	346,748
Room Occupancy	870,547	0	870,547
Premier Resort	1,427,233	0	1,427,233
Gasoline (Restricted for Streets and Highways)	0	58,979	58,979
Wholesale Beer	93,674	0	93,674
Minimum Business	36,594	0	36,594
Other	157,100	0	157,100
Intergovernmental	<u>562,566</u>	<u>0</u>	<u>562,566</u>
Total Other Tax and Nonexchange Revenue Receivable	\$ <u>7,368,993</u>	\$ <u>58,979</u>	\$ <u>7,427,972</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Total Internal Balances</u>
Governmental Activities:			
General Fund	\$ 3,067	\$ (92)	\$ 2,975
Nonmajor Funds	<u>118,959</u>	<u>(2,249)</u>	<u>116,710</u>
Total Governmental Activities	<u>\$ 122,026</u>	<u>\$ (2,341)</u>	<u>\$ 119,685</u>
Business-Type Activities:			
Water and Sewer	\$ 0	\$ (119,777)	\$ (119,777)
LeConte Center	<u>92</u>	<u>0</u>	<u>92</u>
Total Business-Type Activities	<u>\$ 92</u>	<u>\$ (119,777)</u>	<u>\$ (119,685)</u>

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

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers during the fiscal year were as follows:

	<u>Transfers From:</u>		
	<u>Governmental Activities</u>		
	General Fund	Tourism Development Zone Fund	Total
<u>Transfers To:</u>			
<i>Governmental Activities:</i>			
General Fund	\$ 0	\$ 379,556	\$ 379,556
Tourism Development Zone Fund	186,906	0	186,906
Nonmajor Funds	1,017,692	0	1,017,692
<i>Business-Type Activities:</i>			
Water and Sewer Fund	0	1,912,058	1,912,058
LeConte Center Fund	1,262,982	2,666,878	3,929,860
	<u>\$ 2,467,580</u>	<u>\$ 4,958,492</u>	<u>\$ 7,426,072</u>

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

NOTE 7 - CAPITAL ASSETS

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 40,096,541	\$ 13,875,590	\$ (110,000)	\$ 53,862,131
Construction in Progress	14,816,143	5,816,101	(393,627)	20,238,617
Total Capital Assets, Not Being Depreciated	<u>54,912,684</u>	<u>19,691,691</u>	<u>(503,627)</u>	<u>74,100,748</u>
Capital Assets, Being Depreciated:				
Buildings	19,762,920	19,883	(258,150)	19,524,653
Improvements other than Buildings	11,242,720	0	0	11,242,720
Equipment	6,563,046	1,090,481	(83,504)	7,570,023
Automobiles	17,202,637	1,474,717	(1,363,824)	17,313,530
Infrastructure	58,821,003	100,000	0	58,921,003
Total Capital Assets, Being Depreciated	<u>113,592,326</u>	<u>2,685,081</u>	<u>(1,705,478)</u>	<u>114,571,929</u>
Less accumulated depreciation for:				
Buildings	(8,901,431)	(559,349)	230,227	(9,230,553)
Improvements other than Buildings	(5,874,148)	(489,130)	0	(6,363,278)
Equipment	(4,820,720)	(407,371)	83,504	(5,144,587)
Automobiles	(9,784,448)	(1,192,169)	1,353,075	(9,623,542)
Infrastructure	(21,079,432)	(1,003,006)	0	(22,082,438)
Total Accumulated Depreciation	<u>(50,460,179)</u>	<u>(3,651,025)</u>	<u>1,666,806</u>	<u>(52,444,398)</u>
Total Capital Assets, Being Depreciated, Net	<u>63,132,147</u>	<u>(965,944)</u>	<u>(38,672)</u>	<u>62,127,531</u>
Governmental Activities Capital Assets, Net	<u>\$ 118,044,831</u>	<u>\$ 18,725,747</u>	<u>\$ (542,299)</u>	<u>\$ 136,228,279</u>

(Table continued on next page.)

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance July 01, 2018	Increases	Decreases	Balance June 30, 2019
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 29,721,159	\$ 0	\$ 0	\$ 29,721,159
Construction in Progress	995,906	1,532,632	(1,652,862)	875,676
Total Capital Assets, Not Being Depreciated	<u>30,717,065</u>	<u>1,532,632</u>	<u>(1,652,862)</u>	<u>30,596,835</u>
Capital Assets, Being Depreciated:				
Buildings	70,105,765	0	0	70,105,765
Water Plant and Improvements other than Buildings	36,847,804	0	0	36,847,804
Equipment	3,927,891	431,588	(37,663)	4,321,816
Automobiles	1,134,143	29,002	0	1,163,145
Infrastructure	53,498,543	1,712,563	0	55,211,106
Total Capital Assets, Being Depreciated	<u>165,514,146</u>	<u>2,173,153</u>	<u>(37,663)</u>	<u>167,649,636</u>
Less Accumulated Depreciation for:				
Buildings	(5,748,829)	(1,593,375)	0	(7,342,204)
Water Plant and Improvements other than Buildings	(4,829,168)	(1,196,704)	0	(6,025,872)
Equipment	(1,379,846)	(338,264)	37,663	(1,680,447)
Automobiles	(614,249)	(73,171)	0	(687,420)
Infrastructure	(23,544,702)	(1,134,132)	0	(24,678,834)
Total Accumulated Depreciation	<u>(36,116,794)</u>	<u>(4,335,646)</u>	<u>37,663</u>	<u>(40,414,777)</u>
Total Capital Assets, Being Depreciated, Net	<u>129,397,352</u>	<u>(2,162,493)</u>	<u>0</u>	<u>127,234,859</u>
Business-Type Activities Capital Assets, Net	<u>\$ 160,114,417</u>	<u>\$ (629,861)</u>	<u>\$ (1,652,862)</u>	<u>\$ 157,831,694</u>

Depreciation was charged to primary government governmental activities as follows:

Administration, Finance and Other General Government:	
Administration/Finance	\$ 125,438
City Maintenance	150,303
City Garage	25,777
Community Development	5,649
Department of Tourism	63,142
Fire Protection	264,902
Highways and Streets	1,288,651
Library Administration	32,788
Park Administration	373,063
Police Protection	379,614
Public Transportation System	489,698
Recreation Administration/Community Center	222,585
Sanitation	203,368
Special Events	26,047
Total Governmental Depreciation	<u>\$ 3,651,025</u>

At June 30, 2019, the City had significant contractual commitments for construction totaling approximately \$25,216,000 with total related expenditures to date of approximately \$17,218,000.

NOTE 8 - EQUIPMENT AND OTHER LEASE COMMITMENTS

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

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP

(A) BONDS AND NOTE PAYABLE

The long-term obligations outstanding and the changes therein for the year ended June 30, 2019 are as follows:

	Balance July 01, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental Activities:					
Long-Term Debt:					
General Obligation Bonds	\$ 57,252,639	\$ 32,275,000	\$ 5,622,396	\$ 83,905,243	\$ 6,138,468
Loans Payable to the Public					
Building Authority of Sevier County	16,995,000	0	150,000	16,845,000	175,000
Premium on Issuance	1,939,269	1,178,353	330,440	2,787,182	0
Total Long-Term Debt	<u>\$ 76,186,908</u>	<u>\$ 33,453,353</u>	<u>\$ 6,102,836</u>	<u>\$ 103,537,425</u>	<u>\$ 6,313,468</u>
Business-Type Activities:					
Long-Term Debt:					
General Obligation Bonds	\$ 51,057,344	\$ 0	\$ 447,604	\$ 50,609,740	\$ 446,532
Loans Payable to the Public					
Building Authority of Sevier County	11,000,000	0	460,000	10,540,000	485,000
Premium on Issuance	118,840	2,212	22,874	98,178	0
Capital Lease	47,750,000	0	400,000	47,350,000	450,000
Total Long-Term Debt	<u>\$ 109,926,184</u>	<u>\$ 2,212</u>	<u>\$ 1,330,478</u>	<u>\$ 108,597,918</u>	<u>\$ 1,381,532</u>
Component Unit:					
Long-Term Debt					
General Obligation Bonds	\$ 47,750,000	\$ 0	\$ 400,000	\$ 47,350,000	\$ 450,000
Total Long-Term Debt	47,750,000	0	400,000	47,350,000	450,000
Premiums on Issuance	1,557,467	0	86,127	1,471,340	0
Total Long-Term Obligations	<u>\$ 49,307,467</u>	<u>\$ 0</u>	<u>\$ 486,127</u>	<u>\$ 48,821,340</u>	<u>\$ 450,000</u>

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

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

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2019</u>
Governmental Activities:					
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	5.00%	6/1/2011	6/1/2034	\$ 17,235,000	\$ 16,845,000
General Obligation Refunding Bonds - Series 2009B	2.50% - 4.25%	11/19/2009	6/1/2020	17,750,000	2,300,000
General Obligation Bonds Series 2012	2.50% - 4.00%	6/28/2012	6/1/2037	25,000,000	21,300,000
General Obligation Bonds Series 2014	2.00% - 3.50%	12/18/2014	6/1/2037	9,750,000	8,380,000
General Obligation Bonds Series 2015	2.00% - 3.00%	2/20/2015	6/1/2037	9,890,000	8,420,000
General Obligation Refunding Bonds - Series 2016	2.00%	11/30/2016	6/1/2028	8,166,283	7,685,243
General Obligation Bonds Series 2017	2.00% - 4.00%	4/20/2017	6/1/2027	5,460,000	4,525,000
General Obligation Bonds Series 2018	3.125% - 5.00%	11/1/2018	6/1/2035	32,275,000	31,295,000
Total Governmental Activities Debt					\$ <u>100,750,243</u>
Business-Type Activities:					
Loan Payable to the Public Building Authority of Sevier County - Series VII-K-1	See interest rate swap information below	6/1/2011	6/1/2030	\$ 12,465,000	\$ 10,540,000
General Obligation Refunding Bonds - Series 2009	3.00% - 3.80%	3/12/2009	6/1/2020	3,465,000	195,000
General Obligation Bonds - Series 2010	6.875% - 7.125%	12/29/2010	6/1/2040	45,000,000	45,000,000
General Obligation Refunding Bonds - Series 2016	2.00%	11/30/2016	6/1/2028	1,548,717	1,504,740
General Obligation Refunding Bonds - Series 2017	2.00% - 2.50%	4/20/2017	6/1/2028	4,145,000	3,910,000
Total Business-Type Activities Debt					\$ <u>61,149,740</u>
Component Unit:					
Long-Term Debt Public Facility Bonds, Series 2011	3.00% - 5.00%	8/23/2011	6/1/2036	\$ 49,445,000	\$ <u>47,350,000</u>

All bonds and loans are backed by the full faith and credit of the City.

The City has pledged tourism development zone revenue to repay its Series 2016 and Series 2018 long-term debt and portions of its Series VII-K-1, Series 2010, Series 2012 and Series 2017 long-term debt. These debt issues were used primarily to fund public improvement projects. For the year ended June 30, 2019, principal and interest payments on these debt issues were approximately 32% of the pledged revenue. Principal and interest payments remaining to be paid on these debt issues are approximately \$127,198,000 of which \$83,899,000 will be funded by governmental activities based on market interest rates effective on June 30, 2019.

The City has also pledged future water and sewer operating revenues to repay its water and sewer long-term debt. These debt issues were used to fund water and sewer improvement projects. For the year ended June 30, 2019, principal and interest payments were approximately 23% of the pledged revenue. Principal and net interest payments remaining to be paid on the these debt issues are approximately \$94,878,000 based on market interest rates effective on June 30, 2019.

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

Loans payable as of June 30, 2019 consist of loans payable to the Public Building Authority of Sevier County (Authority). The loan agreements provide for the Authority to issue variable rate local government improvement bonds and loan the proceeds to the City on an as needed basis for various capital projects. In connection therewith, the Authority, under these loan agreements, at the request of and on behalf of the City, has entered into an interest rate swap agreement for certain of these local government improvement bonds.

During 2011, the City issued \$45,000,000 in General Obligation Bonds - Series 2010 (Federally Taxable - Build America Bonds). Interest payments are made semi-annually at a gross interest rate of 6.875%, or at a net rate of 3.08%. The City receives a direct subsidy of up to 45% from the United States Government that reduces its interest costs. The City has no assurance that the United States Government will continue to make the direct subsidy payments or reduce the amount of future subsidies. Interest subsidies received by the City for 2019 totaled \$1,339,851.

Also, see Note 17 related to conduit debt of the City's component unit (IDB).

Interest Rate Swap

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

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

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

Terms - Under the swap, the Authority pays the counterparty a fixed payment of 4.44% and receives a variable payment computed as 63.1% of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$13 million. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-K-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The related swap agreement matures on June 1, 2030. As of June 30, 2019, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.44%
Variable Payment from Counterparty	% LIBOR	-1.11%
Net Interest Rate Swap Payments		<u>3.33%</u>
True Interest Cost		<u>2.31%</u>
Synthetic Interest Rate on Bonds		<u>5.64%</u>

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

The terms and rates of the outstanding swap as of June 30, 2019, were as follows.

<u>Associated Debt Issue</u>	<u>Original Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Synthetic Rate</u>	<u>Swap Termination Date</u>
Business-Type Activities						
Loan Payable to the Public Building Authority of Sevier County - Series IV-E-1 ¹	\$ 13,000,000	12/28/2001	4.44%	63.10% of 5 Year LIBOR	5.64%	06/01/2030

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

Fair Value - As of June 30, 2019, the swap has a negative fair value. The negative fair value of the swap may be countered by reductions in total interest payments required under the underlying bond, creating lower synthetic rates. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows to their present value.

The current notional and fair value amounts of the outstanding swap as of June 30, 2019, were as follows.

<u>Associated Debt Issue</u>	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2019</u>		<u>June 30, 2019 Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Business-Type Activities					
Investment Derivative:					
Loan Payable to the Public Building Authority of Sevier County - Series IV-E-1 ¹	Interest and Investment Earnings	\$ (223,546)	Deferred Inflow of Resources	\$ (2,037,867)	\$ 10,540,000

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

Credit Risk - As of June 30, 2019, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated Baa1/BB+ by Moody's and Standard and Poor's as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis Risk - As noted above, the swap exposes the City to basis risk should the rate on the bonds increase to above 63.1% 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 63.1% of LIBOR, then the synthetic rate on the bonds will decrease.

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

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

Swap Payments and Associated Debt - As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain unchanged, for their terms were as shown below. As rates vary, variable-rate bond interest payments and net swap payments will vary. The following schedules do not include fees paid to administer the debt. These fees are expensed as incurred and are based on the amount of principal outstanding.

Governmental Activities:

Year Ending June 30,	General Obligation Bonds		Loans Payable to Public Building Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 6,138,468	\$ 2,864,266	\$ 175,000	\$ 842,250	\$ 6,313,468	\$ 3,706,516
2021	4,361,521	2,624,095	1,015,000	833,500	5,376,521	3,457,595
2022	4,577,660	2,461,866	1,085,000	782,750	5,662,660	3,244,616
2023	4,762,709	2,296,111	1,095,000	728,500	5,857,709	3,024,611
2024	4,976,097	2,134,309	1,070,000	673,750	6,046,097	2,808,059
2025-2029	25,233,788	8,014,989	8,140,000	2,509,750	33,373,788	10,524,739
2030-2034	23,225,000	4,224,838	4,265,000	499,500	27,490,000	4,724,338
2035-2037	10,630,000	637,662	0	0	10,630,000	637,662
	<u>\$ 83,905,243</u>	<u>\$ 25,258,136</u>	<u>\$ 16,845,000</u>	<u>\$ 6,870,000</u>	<u>\$ 100,750,243</u>	<u>\$ 32,128,136</u>

Business-Type Activities:

Year Ending June 30,	General Obligation Bonds				Loans Payable to Public Building Authority *			Total		
	Coupon Principal	Interest	BABS Treasury Rebate	Net Interest	Principal	Interest	Interest Rate Swaps, Net	Principal	Net Interest	Interest Rate Swaps, Net
2020	\$ 446,532	\$ 3,315,993	\$ (1,331,598)	\$ 1,984,395	\$ 485,000	\$ 243,940	\$ 350,590	\$ 931,532	\$ 2,228,335	\$ 350,590
2021	513,479	3,299,052	(1,331,598)	1,967,454	765,000	232,715	334,458	1,278,479	2,200,169	334,458
2022	582,340	3,280,883	(1,331,598)	1,949,285	810,000	215,009	309,012	1,392,340	2,164,294	309,012
2023	617,291	3,259,236	(1,331,598)	1,927,638	855,000	196,263	282,069	1,472,291	2,123,901	282,069
2024	668,903	3,246,889	(1,331,598)	1,915,291	910,000	176,475	253,629	1,578,903	2,091,766	253,629
2025-2029	7,731,195	15,689,647	(6,517,247)	9,172,400	5,425,000	540,417	776,688	13,156,195	9,712,817	776,688
2030-2034	15,300,000	12,279,750	(5,151,355)	7,128,395	1,290,000	29,856	42,909	16,590,000	7,158,251	42,909
2035-2039	20,200,000	6,048,000	(2,537,136)	3,510,864	0	0	0	20,200,000	3,510,864	0
2040	4,550,000	324,188	(135,997)	188,191	0	0	0	4,550,000	188,191	0
	<u>\$ 50,609,740</u>	<u>\$ 50,743,638</u>	<u>\$ (20,999,724)</u>	<u>\$ 29,743,914</u>	<u>\$ 10,540,000</u>	<u>\$ 1,634,675</u>	<u>\$ 2,349,355</u>	<u>\$ 61,149,740</u>	<u>\$ 31,378,589</u>	<u>\$ 2,349,355</u>

* Includes interest rate swap effective through 2030.

Component Unit Activities:

Year Ending June 30,	Public Facility Bonds	
	Principal	Interest
2020	\$ 450,000	\$ 2,251,875
2021	2,000,000	2,238,375
2022	2,000,000	2,146,250
2023	2,000,000	2,046,250
2024	2,250,000	1,946,250
2025-2029	12,600,000	7,983,750
2030-2034	16,550,000	4,675,000
2035-2036	9,500,000	652,500
	<u>\$ 47,350,000</u>	<u>\$ 23,940,250</u>

NOTE 9 - LONG-TERM OBLIGATIONS AND INTEREST RATE SWAP (Continued)

(B) CAPITAL LEASE OBLIGATION

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

Capital lease assets are included in capital assets in the accompanying statement of net position of the LeConte Center Fund and consist of the following as of June 30, 2019:

Land	\$ 3,185,168
Building	<u>51,796,102</u>
Total LeConte Center	54,981,270
Accumulated Amortization	<u>(7,445,690)</u>
Net Assets Under Capital Lease	<u>\$ 47,535,580</u>

Future minimum lease payments to the Board from the LeConte Center Fund under the capital lease agreement as of June 30, 2019:

<u>Fiscal Year Ended</u>	<u>Events Center</u>
2020	\$ 2,701,875
2021	4,238,375
2022	4,146,250
2023	4,046,250
2024	4,196,250
2025-2029	20,583,750
2030-2034	21,225,000
2035-2036	<u>10,152,500</u>
	71,290,250
Less Portion Representing Interest	<u>(23,940,250)</u>
Present Value of Minimum Lease Payments Under Capital Lease	47,350,000
Less Current Maturities	<u>(450,000)</u>
	<u>\$ 46,900,000</u>

The following lists the Board's components of the net investment in capital lease as of June 30, 2019:

Minimum Lease Payments Receivable	\$ 71,290,250
Less Unearned Income	<u>(23,752,586)</u>
Net Investment in Capital Lease	<u>\$ 47,537,664</u>

NOTE 10 - OTHER LONG-TERM LIABILITIES

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

	Balance July 01, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental Activities:					
Contributions Payable to Component Unit	\$ 0	\$ 3,340,000	\$ 0	\$ 3,340,000	\$ 2,800,000
Compensated Absences	992,687	815,034	719,052	1,088,669	671,000
Other Postemployment Benefits	<u>1,023,428</u>	<u>113,309</u>	<u>60,694</u>	<u>1,076,043</u>	<u>0</u>
Total Other Long-Term Liabilities Governmental Activities	<u>\$ 2,016,115</u>	<u>\$ 4,268,343</u>	<u>\$ 779,746</u>	<u>\$ 5,504,712</u>	<u>\$ 3,471,000</u>
Business-Type Activities:					
Compensated Absences	\$ 107,280	\$ 92,310	\$ 84,209	\$ 115,381	\$ 67,000
Other Postemployment Benefits	<u>138,300</u>	<u>15,314</u>	<u>8,202</u>	<u>145,412</u>	<u>0</u>
Total Other Long-Term Liabilities Business-Type Activities	<u>\$ 245,580</u>	<u>\$ 107,624</u>	<u>\$ 92,411</u>	<u>\$ 260,793</u>	<u>\$ 67,000</u>

NOTE 11 - RETIREMENT PLANS

Deferred Compensation Plan

The City, through its City of Pigeon Forge, Inc. Deferred Compensation Plan, a single employer plan, provides benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of service and attaining age 21. Participating employees may contribute up to the maximum amount allowable under IRS code. In order to receive the City's 5% contribution, participating employees must also contribute a minimum of 5% to the plan. Effective February 1, 2019 the City restated the plan requiring that the City's contributions for each employee no longer be made to this plan but to the below Employees' Pension Trust plan. The City's contributions made before February 1, 2019 will remain in this plan. Employees who leave employment or cease participation before seven years of service forfeit the City's portion of contributions and the related interest not vested. The amount forfeited may be used to reduce the City's current period contribution requirement for the Employees' Pension Trust plan.

For the fiscal year ending June 30, 2019, the amount of employee contributions and the City's contributions (net of forfeitures) was \$890,269 and \$302,729, respectively.

Employees' Pension Trust

Effective February 1, 2019, the City unfroze its City of Pigeon Forge, Inc. Employees' Pension Trust, a single employer defined contribution plan. Employees are eligible to participate after six months of service and attaining age 21. In order to receive the City's 5% contribution, participating employees must contribute a minimum of 5% to the above Deferred Compensation Plan. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service. The amount forfeited may be used to reduce the City's current period contribution requirement.

For the fiscal year ending June 30, 2019, the amount of the City's contributions (net of forfeitures) was \$242,865.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description - The City provides certain post-employment benefits to certain retirees (including former commissioners who have obtained 15 years of service with the City). The City will allow the retirees and their dependents to participate in the City's health insurance plan and the City will pay all related premiums. Former employees that have attained the age of 62 and have at least 15 years of consecutive services may obtain health insurance coverage until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan. The City will also provide health insurance coverage, for employees and their dependents that are deemed 100% disabled and have at least 15 years of consecutive service, for a period of 18 to 29 months or until such time the employee becomes eligible for Social Security benefits.

Benefits Provided - The City's healthcare plan is insured and serviced by Blue Cross Blue Shield of Tennessee. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age, as medical costs tend to increase with age. As a result, older employees receive a more valuable benefit than younger employees. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards.

Employees Covered by Benefit Terms - At July 1, 2017, the following employees of the City were covered by the benefit terms of the Plan:

Inactive Employees Currently Receiving Benefit Payments	10
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	0
Active Employees	<u>294</u>
Total Participants	<u><u>304</u></u>

The contribution requirements are established and may be amended by the City. The Plan is currently being funded on a pay-as-you-go basis, whereby amounts paid to retirees are the only contributions. There are no assets accumulating in a trust that meets that criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2019, the City paid \$37,055 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare Cost Trend Rates	4.50% for 2019, remaining stagnant over the course of the next several periods.
Retiree's Share of Benefit-Related Costs	No member contributions are required.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability (Continued)

The actuarial demographic assumptions used were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2019 was 3.50% (3.87% as of June 30, 2018). This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
<u>Balances at June 30, 2018</u>	\$ <u>1,161,728</u>
Changes for the Year	
Service Cost	47,099
Interest	41,660
Change in Assumptions	37,808
Benefit Payments	<u>(66,840)</u>
Net Changes	<u>59,727</u>
<u>Balances at June 30, 2019</u>	\$ <u>1,221,455</u>

Changes in Assumptions - The discount rate was changed from 3.87% as of the beginning of the measurement period to 3.50% as of June 30, 2019. This change in assumption increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
2019	\$ <u>1,324,352</u>	\$ <u>1,221,455</u>	\$ <u>1,128,025</u>

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (3.50%)</u>	<u>Healthcare Cost Trend Rates (4.50%)</u>	<u>1% Increase (5.50%)</u>
2019	\$ <u>1,084,750</u>	\$ <u>1,221,455</u>	\$ <u>1,381,042</u>

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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

OPEB Expense - For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$22,483.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 35,753	\$ 24,451

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

<u>For the Years ended June 30:</u>	
2020	\$ 564
2021	564
2022	564
2023	564
2024	564
Thereafter	8,482
Total	\$ 11,302

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

NOTE 13 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS

Sevier Solid Waste, Inc.

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

Sevier Solid Waste, Inc. is governed by a board of directors, which consists of one representative appointed from each governmental unit. Each director has a 25% vote. The Public Building Authority of Sevier County issued in 1995 the Solid Waste Facility Bonds, Series 1995 in the amount of \$12,500,000 to finance the capital needs of Sevier Solid Waste, Inc. In 2005, the remaining balance of these Series 1995 bonds was refinanced through the Public Building Authority of Sevier County with new bonds, Series VI-E-1, with the City's pro-rata portion being 26.19%. In 1999, the Public Building of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of \$2,500,000 to finance the capital needs of Sevier Solid Waste, Inc., with the City's pro-rata portion being 26.9%. During 2009, these debt issuances were refinanced with each governmental unit issuing debt for their pro-rata share of the outstanding debt. The City of Pigeon Forge issued \$1,635,000 in bonds (included in Series 2009 refunding bonds) for its portion of the outstanding Sevier Solid Waste Facility Bonds (see Note 9). Each governmental unit is assessed for its share of the operational costs of Sevier Solid Waste based on a preset tipping fee multiplied by the total tonnage of solid waste taken to the facility each month by the governmental entity. For the year ended June 30, 2019, the City's portion of solid waste disposal services performed was \$979,438. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 1826 Ridge Road, Pigeon Forge, Tennessee 37876.

NOTE 13 - JOINT VENTURES AND OTHER INTERLOCAL GOVERNMENTAL AGREEMENTS (Continued)

Sevier Water Board, Inc.

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

The City of Pigeon Forge, through an inter-local agreement with Sevier County, the City of Gatlinburg, and the City of Sevierville agreed that it was in the best interest of these cooperative governments to jointly construct and operate water intake, pumping, treatment, and transmission facilities for the use and benefit of these entities. To finance the project, an agreement was reached with the PBA of Sevier County to issue Adjustable Rate Local Government Public Improvement Bonds, Series I-A-1. Through a loan agreement between the participating governments dated June 1, 1996, the City of Pigeon Forge's percentage of ownership and liability was determined to be 44%. During 2009, the outstanding bonds were refinanced by each participating entity issuing debt for their pro-rata share of the outstanding debt. The City of Pigeon Forge issued \$1,420,000 in bonds (included in Series 2009 refunding bonds) for the refinancing of the City's share of the debt. Total investment in the Sevier Water Board, Inc. by the City of Pigeon Forge as of June 30, 2019, was \$6,000,522 (cost). The joint venture investment and the related debt are recorded in the Water and Sewer Fund. Financial statements of the Sevier Water Board, Inc. are available at the City of Pigeon Forge.

Gatlinburg Airport Authority, Inc.

The City of Pigeon Forge, Tennessee appropriated \$100,000 to the Gatlinburg Airport Authority, Inc. (Airport) for the year ended June 30, 2019. The Cities of Gatlinburg and Pigeon Forge have equal representation of two members each on the board of the Airport. The two members representing each City are nominated by the respective City Manager, and the remaining fifth member of the board is a representative of the Sevier County industrial community chosen by consultation between the respective Cities. All members of the Airport's board of commissioners shall be considered for appointment by the City of Gatlinburg's board of commissioners and appointed by a majority vote thereof. Both Cities have agreed to make annual payments to the Airport to be used for operation, maintenance and improvements. Complete financial statements for the Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Airport's administrative office at 134 Air Museum Way, Sevierville, Tennessee 37862.

Sevier County Economic Development Council, Inc.

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

Pigeon Forge Housing Bureau

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

NOTE 14 - MANAGEMENT CONTRACTS

The City's sewage treatment plant is operated under a contract by Veolia Water North America (VWNA). VWNA charged \$130,819 per month in 2019, subject to annual adjustment, for its management services and is responsible for all operating expenses incurred by the sewer system. All property and equipment is retained and insured by the City. At the end of each year, if VWNA has operated for less than its budgeted amount, VWNA retains 10% of the savings for its employees and returns 90% to the City of Pigeon Forge.

NOTE 14 - MANAGEMENT CONTRACTS (Continued)

The City has entered into a management agreement with Ripken Pigeon Forge, LLC (RPF) to operate and manage the City’s baseball sports complex. The agreement calls for an annual fixed base fee of \$325,000 in 2019 and escalating thereafter. In addition to the fixed base fee, RPF is to receive an annual revenue percentage fee subject to maximum limitations. RPF is also to receive a productivity fee if certain revenue and facility utilization milestones are achieved. Personnel providing operating services at the complex are employees of RPF. These wages and payroll-related expenses are included in personnel costs in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 15 - LEASE REVENUE

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

Anticipated rent income per this agreement is as follows:

<u>Fiscal Year Ended</u>	<u>Rent Income</u>
2020	\$ 62,666
2021	15,666
	<u>\$ 78,332</u>

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

NOTE 16 - ECONOMIC DEVELOPMENT

Publix Shopping Center

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

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

NOTE 16 - ECONOMIC DEVELOPMENT (Continued)

Food City

In September 2018, the Board entered into a PILOT agreement with Hutton Riverwalk, LLC (the "Developer") to facilitate the construction of a Food City grocery store and other retail shopping in the City of Pigeon Forge. To encourage the development of the project for the benefit of the public, the Board would provide financial assistance by reimbursing the developer for site and infrastructure improvement costs for a total not to exceed \$4,740,000 upon the developer meeting certain construction and occupancy milestones.

The land for the project was deeded by the Developer to the Board and then leased by the Board to the Developer for \$1 a year, plus additional PILOT. The Board also agreed to enter into a lease agreement with K-VA-T Food Stores, Inc. upon completion of the project to assist in equipping the retail store with machinery, equipment, and other personal property.

The Board and the City have entered into a separate capital contribution agreement to provide funding to the Board for the Developer reimbursements discussed above. Funding provided by the City to the Board is to be made in conjunction with the same construction and occupancy milestones as agreed to with the Developer by the Board. The Developer has reached the first milestone by securing lease agreements with K-VA-T Food Stores, Inc. and Marshalls of MA, Inc. for the operation of a grocery store and other retail. Accordingly, the Board has received from the City and paid to the developer \$1,400,000 in 2019. The remaining funding due from the City is recorded as contributions receivable and deferred inflows of resources in the Board's statement of net position.

Workforce Housing

On May 28, 2019, the Board approved a resolution to enter into a PILOT agreement with a project developer to facilitate the construction of a 222-unit facility for affordable workforce housing. The proposed agreement would deed the property to the Board and then leased over a 20 year term to a developer for \$1 a year, plus an additional PILOT.

NOTE 17 - RISK MANAGEMENT

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

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

NOTE 18 - COMMITMENTS AND CONTINGENCIES

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

In April of 2006, the State of Tennessee approved the City's application for a Tourism Development Zone (TDZ). The boundaries of the TDZ are within the boundaries of the City's Central Business Improvement District. Under the TDZ plan, the City is authorized to borrow up to \$179 million to develop new Qualified Public Use Facilities. Since commencement of the improvements under the TDZ, the City has issued debt totaling approximately \$144 million through June 30, 2019. These borrowings will be paid through an apportionment of the incremental increase in sales and use taxes generated as a result of the improvements. These planned public use facilities, which are part of the City's strategy to continue to enhance tourism and economic development in Pigeon Forge and the State of Tennessee, included a civic events center, mass transit facility, amphitheater and festival center. Other planned TDZ projects included a wastewater treatment plant expansion, improvements to roadways and other necessary public infrastructure improvements, all of which should facilitate significant new private development. To date, the City has purchased land and completed a public parking lot, made sewer line improvements, completed the waste water treatment plant, constructed the LeConte Center, improvements to roadways, and is in the process of design and construction of a mass transit facility.

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

NOTE 19 - TAX ABATEMENTS

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

During the fiscal year ended June 30, 2019, there were two PILOT agreements in force which commenced in January, 2015 with PFWV, LLC and September, 2018 with Hutton Riverwalk, LLC (see Note 16). Both entities will remit 0% of the standard tax applicable to property for an abatement period of 20 years. The abatement for the year ended June 30, 2019 for PFWV, LLC and Hutton Riverwalk, LLC were approximately \$5,900 and \$3,700, respectively.

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

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Fiscal Year Ended June 30,

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 47,099	\$ 44,417
Interest	41,660	42,706
Change in Assumptions	37,808	(27,434)
Benefit Payments	<u>(66,840)</u>	<u>(63,122)</u>
Net Change in Total OPEB Liability	59,727	(3,433)
Total OPEB Liability - Beginning	<u>1,161,728</u>	<u>1,165,161</u>
Total OPEB Liability - Ending	<u>\$ 1,221,455</u>	<u>\$ 1,161,728</u>
Covered Payroll	\$ 16,451,753	\$ 15,652,619
Total OPEB Liability as a Percentage of Covered Payroll	7.42%	7.42%

Note: There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	City Buildings	Construction	
ASSETS						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 71,597	\$ 311,750	\$ 383,347
Due from Other Funds	0	118,959	0	0	0	118,959
Restricted Assets:						
Cash	1,063,399	1,378,728	313,066	0	16,299	2,771,492
Receivables	58,979	0	0	0	0	58,979
TOTAL ASSETS	<u>\$ 1,122,378</u>	<u>\$ 1,497,687</u>	<u>\$ 313,066</u>	<u>\$ 71,597</u>	<u>\$ 328,049</u>	<u>\$ 3,332,777</u>
 LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 6,975	\$ 181,569	\$ 870	\$ 0	\$ 0	\$ 189,414
Due to Other Funds	0	2,249	0	0	0	2,249
Total Liabilities	<u>6,975</u>	<u>183,818</u>	<u>870</u>	<u>0</u>	<u>0</u>	<u>191,663</u>
 FUND BALANCES						
Restricted	1,115,403	1,313,869	312,196	0	0	2,741,468
Unrestricted:						
Assigned	0	0	0	71,597	328,049	399,646
Total Fund Balances	<u>1,115,403</u>	<u>1,313,869</u>	<u>312,196</u>	<u>71,597</u>	<u>328,049</u>	<u>3,141,114</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,122,378</u>	<u>\$ 1,497,687</u>	<u>\$ 313,066</u>	<u>\$ 71,597</u>	<u>\$ 328,049</u>	<u>\$ 3,332,777</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	City Buildings Fund	Construction Fund	
REVENUES:						
State Gasoline and Motor Fuel Tax (Intergovernmental)	\$ 340,685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 340,685
Fees and Charges for Services	0	1,374,334	0	0	0	1,374,334
Fines and Penalties	0	9,677	66,610	0	0	76,287
Interest and Dividends	0	985	0	0	459	1,444
Total Revenues	<u>340,685</u>	<u>1,384,996</u>	<u>66,610</u>	<u>0</u>	<u>459</u>	<u>1,792,750</u>
EXPENDITURES:						
Highways and Streets	103,695	0	0	0	0	103,695
Solid Waste/Sanitation	0	1,959,078	0	0	0	1,959,078
Drug Prevention	0	0	31,465	0	0	31,465
Capital Outlay	0	266,394	0	0	0	266,394
Total Expenditures	<u>103,695</u>	<u>2,225,472</u>	<u>31,465</u>	<u>0</u>	<u>0</u>	<u>2,360,632</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>236,990</u>	<u>(840,476)</u>	<u>35,145</u>	<u>0</u>	<u>459</u>	<u>(567,882)</u>
OTHER FINANCING SOURCES (USES):						
Transfers from Other Funds	0	1,017,692	0	0	0	1,017,692
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,017,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,017,692</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>236,990</u>	<u>177,216</u>	<u>35,145</u>	<u>0</u>	<u>459</u>	<u>449,810</u>
FUND BALANCES, BEGINNING OF YEAR	<u>878,413</u>	<u>1,136,653</u>	<u>277,051</u>	<u>71,597</u>	<u>327,590</u>	<u>2,691,304</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,115,403</u>	<u>\$ 1,313,869</u>	<u>\$ 312,196</u>	<u>\$ 71,597</u>	<u>\$ 328,049</u>	<u>\$ 3,141,114</u>

CITY OF PIGEON FORGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

SPECIAL REVENUE FUND - STATE STREET AID FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State Gasoline and Motor Fuel Tax	\$ 260,000	\$ 260,000	\$ 340,685	\$ 80,685
EXPENDITURES:				
Street Lighting Maintenance	82,500	82,500	84,210	(1,710)
Traffic Signal Maintenance	52,500	52,500	19,485	33,015
Street Repair and Maintenance	125,000	125,000	0	125,000
Total Expenditures	<u>260,000</u>	<u>260,000</u>	<u>103,695</u>	<u>156,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	236,990	236,990
FUND BALANCE, BEGINNING OF YEAR	<u>878,413</u>	<u>878,413</u>	<u>878,413</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 878,413</u>	<u>\$ 878,413</u>	<u>\$ 1,115,403</u>	<u>\$ 236,990</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

SPECIAL REVENUE FUND - SOLID WASTE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for Services	\$ 1,325,000	\$ 1,325,000	\$ 1,374,334	\$ 49,334
Fines and Penalties	10,000	10,000	9,677	(323)
Interest	1,000	1,000	985	(15)
Total Revenues	<u>1,336,000</u>	<u>1,336,000</u>	<u>1,384,996</u>	<u>48,996</u>
EXPENDITURES:				
Personnel Costs	814,636	814,636	743,098	71,538
Supplies	244,550	244,550	204,798	39,752
Maintenance	54,772	54,772	23,450	31,322
General Services	973,340	973,340	987,732	(14,392)
Capital Outlay	266,394	266,394	266,394	0
Total Expenditures	<u>2,353,692</u>	<u>2,353,692</u>	<u>2,225,472</u>	<u>128,220</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,017,692)</u>	<u>(1,017,692)</u>	<u>(840,476)</u>	<u>177,216</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	1,017,692	1,017,692	1,017,692	0
Total Other Financing Sources (Uses)	<u>1,017,692</u>	<u>1,017,692</u>	<u>1,017,692</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	0	0	177,216	177,216
FUND BALANCE, BEGINNING OF YEAR	<u>1,136,653</u>	<u>1,136,653</u>	<u>1,136,653</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,136,653</u>	<u>\$ 1,136,653</u>	<u>\$ 1,313,869</u>	<u>\$ 177,216</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

SPECIAL REVENUE FUND - DRUG FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Fines and Penalties	\$ 45,000	\$ 45,000	\$ 66,610	\$ 21,610
EXPENDITURES:				
Operating Supplies	14,240	14,240	11,890	2,350
Public Relations	3,500	3,500	3,364	136
Informant Payments	22,360	22,360	12,000	10,360
Other	4,900	4,900	4,211	689
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>31,465</u>	<u>13,535</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	35,145	35,145
FUND BALANCES, BEGINNING OF YEAR	<u>277,051</u>	<u>277,051</u>	<u>277,051</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 277,051</u>	<u>\$ 277,051</u>	<u>\$ 312,196</u>	<u>\$ 35,145</u>

CITY OF PIGEON FORGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2019

Federal/Pass-through Agency/State Grantor Program Title	CFDA Number	State / Pass-through Entity Identifying Number	Expenditures
Federal Awards			
Institute of Museum and Library Services			
Passed through the Tennessee Office of the Secretary of State:			
Grants to States	45.310	LS-00-18-0043-18	\$ 500
Total Institute of Museum and Library Services			<u>500</u>
U.S. Department of Homeland Security			
U.S. Department of Homeland Security Direct Assistance:			
Assistance to Firefighters Grant	97.044	N/A	<u>167,544</u>
Total U.S. Department of Homeland Security Direct Assistance			<u>167,544</u>
Passed-through Tennessee Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4427-DR-TN	<u>18,705</u>
Total Passed-through Tennessee Department of Military			<u>18,705</u>
Total U.S. Department of Homeland Security			<u>186,249</u>
U.S. Department of Justice			
U.S. Department of Justice Direct Assistance:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>5,196</u>
Total U.S. Department of Justice			<u>5,196</u>
U.S. Department of Transportation			
Passed-through Tennessee Department of Safety and Homeland Security:			
State and Community Highway Safety	20.600	Z19THS222	19,877
Alcohol Open Container Requirements	20.607	Z19THS223	<u>655</u>
Total Passed-through Tennessee Department of Safety and Homeland Security			<u>20,532</u>
Passed-through Tennessee Department of Transportation:			
Federal Transit Capital Investment Grants	20.500	GG-18-58747-00	<u>42,353</u>
Highway Planning and Construction	20.205	140162	59,371
Highway Planning and Construction	20.205	160227	<u>8,580</u>
Total CFDA Number 20.205			<u>67,951</u>
Formula Grants for Rural Areas	20.509	Z-19-5311-06-00	<u>293,177</u>
Total U.S. Department of Transportation			<u>424,013</u>
Total Federal Awards			<u>615,958</u>
State Financial Assistance			
Tennessee Department of Agriculture			
Wildfire Hazard Mitigation Grant	N/A	(1)	23,657
Wildfire Hazard Mitigation Grant	N/A	(1)	10,537
Wildfire Hazard Mitigation Grant	N/A	(1)	<u>6,928</u>
Total Tennessee Department of Agriculture			<u>41,122</u>
Tennessee Department of Military			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	N/A	FEMA-4427-DR-TN	<u>3,117</u>
Total Tennessee Department of Military			<u>3,117</u>
Tennessee Department of Transportation			
Trolley Operating Assistance Grant	N/A	Z-19-UROP-09-00	648,300
Trolley Capital Assistance Grant	N/A	GG-18-58747-00	4,336
Trolley Rural Transportation	N/A	Z-19-5311-06-00	89,564
Trolley Rural Transportation	N/A	Z-19-5311-11-00	<u>16,327</u>
Total Tennessee Department of Transportation			<u>758,527</u>
Total State Financial Assistance			<u>802,766</u>
Total Federal Awards and State Financial Assistance			<u>\$ 1,418,724</u>

(1) Information not available

The accompanying notes are an integral part of this schedule.
See Independent Auditor's Report.

CITY OF PIGEON FORGE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Pigeon Forge (the "City"), and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Federal Financial Assistance. The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments. Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments. Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs. The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the City were defined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance. The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COSTS

The City has elected not to use the ten percent de minimis indirect rate as allowed under Uniform Guidance.

NOTE 4 - CONTINGENCIES

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agency could make a claim for reimbursement.

CITY OF PIGEON FORGE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DIVISION

PROPRIETARY FUND - WATER AND SEWER

For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
Fees and Charges for Services	\$ 8,345,880	\$ 6,462,701	\$ 14,808,581
Fines and Penalties	67,161	44,774	111,935
Other Revenues	172,711	78,283	250,994
Tap Fees	191,152	94,516	285,668
Total Operating Revenues	<u>8,776,904</u>	<u>6,680,274</u>	<u>15,457,178</u>
OPERATING EXPENSES:			
Purification	1,318,747	0	1,318,747
Transmission and Distribution	1,704,232	0	1,704,232
Sewer System	0	424,507	424,507
Sewer Treatment and Disposal	0	2,976,619	2,976,619
Customer Accounting and Collections	101,902	67,935	169,837
Administrative and General	716,644	170,066	886,710
Depreciation	665,120	1,306,986	1,972,106
Total Operating Expenses	<u>4,506,645</u>	<u>4,946,113</u>	<u>9,452,758</u>
OPERATING INCOME (LOSS)	<u>4,270,259</u>	<u>1,734,161</u>	<u>6,004,420</u>
NONOPERATING REVENUES (EXPENSES):			
Interest and Dividends	238,478	59,620	298,098
Debt Service Fees	(51,400)	(12,850)	(64,250)
Interest Expense	(1,017,649)	(1,526,473)	(2,544,122)
Change in Fair Value of Investments	54,463	54,463	108,926
Change in Fair Value of Derivatives - Interest Rate Swap	(111,773)	(111,773)	(223,546)
Total Nonoperating Revenues (Expenses)	<u>(887,881)</u>	<u>(1,537,013)</u>	<u>(2,424,894)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	<u>\$ 3,382,378</u>	<u>\$ 197,148</u>	3,579,526
TRANSFERS FROM OTHER FUNDS			<u>1,912,058</u>
CHANGE IN NET POSITION			5,491,584
NET POSITION, BEGINNING OF YEAR			<u>53,507,661</u>
NET POSITION, END OF YEAR			<u>\$ 58,999,245</u>

See Independent Auditor's Report.

OTHER UNAUDITED SUPPLEMENTARY INFORMATION SECTION

CITY OF PIGEON FORGE

SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS - GOVERNMENTAL ACTIVITIES

As of June 30, 2019

	General Obligation Bonds Series 2012			General Obligation Bonds Series 2014			General Obligation Bonds Series 2015		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 825,000	\$ 774,850	\$ 1,599,850	\$ 370,000	\$ 245,813	\$ 615,813	\$ 385,000	\$ 211,185
2021	875,000	741,850	1,616,850	380,000	234,712	614,712	395,000	203,485	598,485
2022	900,000	706,850	1,606,850	390,000	223,313	613,313	400,000	195,585	595,585
2023	925,000	670,850	1,595,850	400,000	215,512	615,512	410,000	187,585	597,585
2024	975,000	633,850	1,608,850	405,000	207,013	612,013	415,000	179,385	594,385
2025-2029	5,475,000	2,566,500	8,041,500	2,180,000	885,175	3,065,175	2,225,000	764,163	2,989,163
2030-2034	6,650,000	1,578,163	8,228,163	2,530,000	547,438	3,077,438	2,505,000	474,087	2,979,087
2035-2037	4,675,000	331,625	5,006,625	1,725,000	114,812	1,839,812	1,685,000	102,150	1,787,150
	<u>\$ 21,300,000</u>	<u>\$ 8,004,538</u>	<u>\$ 29,304,538</u>	<u>\$ 8,380,000</u>	<u>\$ 2,673,788</u>	<u>\$ 11,053,788</u>	<u>\$ 8,420,000</u>	<u>\$ 2,317,625</u>	<u>\$ 10,737,625</u>

	Loans Payable to Public Building Authority VII-K-1			General Obligation Refunding Bonds Series 2009B			General Obligation Refunding Bonds Series 2018		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 175,000	\$ 842,250	\$ 1,017,250	\$ 2,300,000	\$ 92,000	\$ 2,392,000	\$ 1,370,000	\$ 1,263,163
2021	1,015,000	833,500	1,848,500	0	0	0	1,440,000	1,194,662	2,634,662
2022	1,085,000	782,750	1,867,750	0	0	0	1,510,000	1,122,663	2,632,663
2023	1,095,000	728,500	1,823,500	0	0	0	1,585,000	1,047,162	2,632,162
2024	1,070,000	673,750	1,743,750	0	0	0	1,665,000	967,913	2,632,913
2025-2029	8,140,000	2,509,750	10,649,750	0	0	0	9,640,000	3,524,562	13,164,562
2030-2034	4,265,000	499,500	4,764,500	0	0	0	11,540,000	1,625,150	13,165,150
2035	0	0	0	0	0	0	2,545,000	89,075	2,634,075
	<u>\$ 16,845,000</u>	<u>\$ 6,870,000</u>	<u>\$ 23,715,000</u>	<u>\$ 2,300,000</u>	<u>\$ 92,000</u>	<u>\$ 2,392,000</u>	<u>\$ 31,295,000</u>	<u>\$ 10,834,350</u>	<u>\$ 42,129,350</u>

	General Obligation Refunding Bonds Series 2016			General Obligation Bonds Series 2017		
	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 383,468	\$ 153,705	\$ 537,173	\$ 505,000	\$ 123,550
2021	746,521	146,036	892,557	525,000	103,350	628,350
2022	832,660	131,105	963,765	545,000	82,350	627,350
2023	877,709	114,452	992,161	565,000	60,550	625,550
2024	941,097	96,898	1,037,995	575,000	49,250	624,250
2025-2028	3,903,788	196,939	4,100,727	1,810,000	77,650	1,887,650
	<u>\$ 7,685,243</u>	<u>\$ 839,135</u>	<u>\$ 8,524,378</u>	<u>\$ 4,525,000</u>	<u>\$ 496,700</u>	<u>\$ 5,021,700</u>

See Independent Auditor's Report.

CITY OF PIGEON FORGE

SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS - BUSINESS-TYPE ACTIVITIES

As of June 30, 2019

	General Obligation Refunding Bonds Series 2009			Loans Payable to Public Building Authority Series VII-K-1 **				
	Principal	Interest	Total	Principal	Interest	Interest Rate	Total	
						Swap, Net	Interest	Total
2020	\$ 195,000	\$ 7,410	\$ 202,410	\$ 485,000	\$ 243,940	\$ 350,590	\$ 594,530	\$ 1,079,530
2021	0	0	0	765,000	232,715	334,458	567,173	1,332,173
2022	0	0	0	810,000	215,009	309,012	524,021	1,334,021
2023	0	0	0	855,000	196,263	282,069	478,332	1,333,332
2024	0	0	0	910,000	176,475	253,629	430,104	1,340,104
2025-2029	0	0	0	5,425,000	540,417	776,688	1,317,105	6,742,105
2030	0	0	0	1,290,000	29,856	42,909	72,765	1,362,765
	<u>\$ 195,000</u>	<u>\$ 7,410</u>	<u>\$ 202,410</u>	<u>\$ 10,540,000</u>	<u>\$ 1,634,675</u>	<u>\$ 2,349,355</u>	<u>\$ 3,984,030</u>	<u>\$ 14,524,030</u>

	General Obligation Bonds Series 2010				
	BABS			Net Interest	Total Requirements
	Principal	Coupon Interest	Treasury Rebate		
2020	\$ 0	\$ 3,174,250	\$ (1,331,598)	\$ 1,842,652	\$ 1,842,652
2021	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2022	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2023	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2024	0	3,174,250	(1,331,598)	1,842,652	1,842,652
2025-2029	4,950,000	15,535,750	(6,517,247)	9,018,503	13,968,503
2030-2034	15,300,000	12,279,750	(5,151,355)	7,128,395	22,428,395
2035-2039	20,200,000	6,048,000	(2,537,136)	3,510,864	23,710,864
2040	4,550,000	324,188	(135,997)	188,191	4,738,191
	<u>\$ 45,000,000</u>	<u>\$ 50,058,938</u>	<u>\$ (20,999,724)</u>	<u>\$ 29,059,214</u>	<u>\$ 74,059,214</u>

	General Obligation Refunding Bonds Series 2016			General Obligation Refunding Bonds Series 2017		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 26,532	\$ 30,095	\$ 56,627	\$ 225,000	\$ 104,238	\$ 329,238
2021	118,479	29,564	148,043	395,000	95,238	490,238
2022	82,340	27,195	109,535	500,000	79,438	579,438
2023	122,291	25,548	147,839	495,000	59,438	554,438
2024	183,903	23,102	207,005	485,000	49,537	534,537
2025-2028	971,195	47,561	1,018,756	1,810,000	106,336	1,916,336
	<u>\$ 1,504,740</u>	<u>\$ 183,065</u>	<u>\$ 1,687,805</u>	<u>\$ 3,910,000</u>	<u>\$ 494,225</u>	<u>\$ 4,404,225</u>

** - Includes an interest rate swap with effective date through 2030.

See Independent Auditor's Report.

CITY OF PIGEON FORGE
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST
REQUIREMENTS - INDUSTRIAL DEVELOPMENT BOARD

As of June 30, 2019

Public Facility Bonds Series 2011			
	Principal	Interest	Total
2020	\$ 450,000	\$ 2,251,875	\$ 2,701,875
2021	2,000,000	2,238,375	4,238,375
2022	2,000,000	2,146,250	4,146,250
2023	2,000,000	2,046,250	4,046,250
2024	2,250,000	1,946,250	4,196,250
2025-2029	12,600,000	7,983,750	20,583,750
2030-2034	16,550,000	4,675,000	21,225,000
2035-2036	9,500,000	652,500	10,152,500
	\$ 47,350,000	\$ 23,940,250	\$ 71,290,250

See Independent Auditor's Report.

CITY OF PIGEON FORGE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2019

	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2019
Governmental Activities									
Notes Payable									
<u>Payable through Tourism Development Zone Fund</u>									
Public Building Authority of Sevier County: Loan Series VII-K-1	\$ 17,235,000	5.00 %	6/1/2011	6/1/2034	\$ 16,995,000	\$ 0	\$ 150,000	\$ 0	\$ 16,845,000
Bonds Payable									
<u>Payable through Tourism Development Zone Fund</u>									
2012 General Obligation	\$ 8,130,000	2.50 - 4.00 %	6/28/2012	6/1/2037	7,190,000	0	260,000	0	6,930,000
2016 General Obligation Refunding	8,166,283	2.00 %	11/30/2016	6/1/2028	8,072,639	0	387,396	0	7,685,243
2018 General Obligation	32,275,000	3.125 - 5.000 %	11/1/2018	6/1/2035	0	32,275,000	980,000	0	31,295,000
Total Bonds Payable through Tourism Development Zone Fund					15,262,639	32,275,000	1,627,396	0	45,910,243
<u>Payable through General Fund</u>									
2009B General Obligation Refunding	\$ 17,750,000	2.50 - 4.25 %	11/19/2009	6/1/2020	4,530,000	0	2,230,000	0	2,300,000
2012 General Obligation	16,870,000	2.50 - 4.00 %	6/28/2012	6/1/2037	14,910,000	0	540,000	0	14,370,000
2014 General Obligation	9,750,000	2.00 - 3.50 %	12/18/2014	6/1/2037	8,740,000	0	360,000	0	8,380,000
2015 General Obligation	9,890,000	2.00 - 3.00 %	2/20/2015	6/1/2037	8,800,000	0	380,000	0	8,420,000
2017 General Obligation	5,460,000	2.00 - 4.00 %	4/20/2017	6/1/2027	5,010,000	0	485,000	0	4,525,000
Total Bonds Payable through General Fund					41,990,000	0	3,995,000	0	37,995,000
Total Governmental Activities					\$ 74,247,639	\$ 32,275,000	\$ 5,772,396	\$ 0	\$ 100,750,243
Business-Type Activities									
Notes Payable									
<u>Payable through Water and Sewer Fund</u>									
Public Building Authority of Sevier County: Loan Series VII-K-1	\$ 12,465,000	see Note 9	6/1/2011	6/1/2030	\$ 11,000,000	\$ 0	\$ 460,000	\$ 0	\$ 10,540,000
Bonds Payable									
<u>Payable through Tourism Development Zone Fund</u>									
2010 General Obligation	\$ 22,610,000	6.875 - 7.125 %	12/29/2010	6/1/2040	22,610,000	0	0	0	22,610,000
2016 General Obligation Refunding	1,548,717	2.00 %	11/30/2016	6/1/2028	1,532,344	0	27,604	0	1,504,740
2017 General Obligation Refunding	4,145,000	2.00 - 2.50 %	4/20/2017	6/1/2028	4,135,000	0	225,000	0	3,910,000
Total Bonds Payable through Tourism Development Zone Fund					28,277,344	0	252,604	0	28,024,740
<u>Payable through Water and Sewer Fund</u>									
2009 General Obligation Refunding	\$ 3,465,000	3.00 - 3.80 %	3/12/2009	6/1/2020	390,000	0	195,000	0	195,000
2010 General Obligation	22,390,000	6.875 - 7.125 %	12/29/2010	6/1/2040	22,390,000	0	0	0	22,390,000
Total Bonds Payable through Water and Sewer Fund					22,780,000	0	195,000	0	22,585,000
Capital Lease Obligation									
<u>Payable through Tourism Development Zone Fund</u>									
Capital Lease Obligation	\$ 49,445,000	3.00 - 5.00 %	8/23/2011	6/1/2036	47,750,000	0	400,000	0	47,350,000
Total Business-Type Activities					\$ 109,807,344	\$ 0	\$ 1,307,604	\$ 0	\$ 108,499,740
Component Unit									
Bonds Payable									
2011 Public Facility	\$ 49,445,000	3.00 - 5.00 %	8/23/2011	6/1/2036	\$ 47,750,000	\$ 0	\$ 400,000	\$ 0	\$ 47,350,000

See Independent Auditor's Report.

CITY OF PIGEON FORGE
SCHEDULES OF PROPERTY TAX INFORMATION
For the Year Ended June 30, 2019

CHANGES IN TAXES RECEIVABLE

	<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Balance at Beginning of Year	\$ 0	\$ 61,946	\$ 61,946
Add:			
2019 Taxes Levied	1,455,709	0	1,455,709
2018 Taxes Levied	1,415,075	0	1,415,075
Adjustments	2,645	0	2,645
	<u>2,873,429</u>	<u>0</u>	<u>2,873,429</u>
Less:			
Collections	<u>1,363,588</u>	<u>35,822</u>	<u>1,399,410</u>
 TAXES RECEIVABLE BEFORE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS	 1,509,841	 26,124	 1,535,965
Less:			
Allowance for Uncollectible Accounts	<u>12,745</u>	<u>830</u>	<u>13,575</u>
 TAXES RECEIVABLE, NET	 <u>\$ 1,497,096</u>	 <u>\$ 25,294</u>	 <u>\$ 1,522,390</u>

TAX ASSESSMENTS AND UNPAID BALANCES

Tax Year	Assessed Values	Tax Rate Per \$100	Total Levy	Adjustments, Collections, Releases and Abatements in Prior Years	Adjustments, Collections, Releases and Abatements in Current Year	Unpaid Balances
2019	\$ 727,854,255	0.200%	\$ 1,455,709	\$ 0	\$ 0	\$ 1,455,709
2018	707,537,651	0.200%	1,415,075	0	1,360,943	54,132
2017	704,052,795	0.200%	1,408,106	1,367,082	27,352	13,672
2016	677,140,983	0.200%	1,354,282	1,349,945	1,394	2,943
2015	631,942,813	0.200%	1,263,886	1,259,672	4,012	202
2014	623,249,144	0.200%	1,246,498	1,242,006	1,127	3,365
2013	610,806,170	0.200%	1,221,612	1,217,212	1,633	2,767
2012	608,099,103	0.200%	1,216,198	1,215,473	304	421
2011	605,096,338	0.200%	1,210,193	1,208,631	0	1,562
2010	642,934,304	0.124%	798,524	797,905	0	619
2009	641,429,200	0.124%	796,655	796,082	0	573
						<u>\$ 1,535,965</u>

Property taxes unpaid for periods prior to 2008 have been filed with the Sevier County Circuit Court Clerk.

See Independent Auditor's Report.

CITY OF PIGEON FORGE
WATER AND SEWER FUND
SCHEDULE OF WATER AND SEWER RATES
June 30, 2019

Within City Limits
Residential and Small Commercial

	<u>Water</u>	<u>Sewer</u>
First 2,000 Gallons	\$17.70 (Minimum)	\$17.70 (Minimum)
Over 2,000 Gallons	\$6.52/1,000 Gallons	\$6.52/1,000 Gallons

Outside City Limits
Residential and Small Commercial

	<u>Water</u>
First 2,000 Gallons	\$26.53 (Minimum)
Over 2,000 Gallons	\$9.44/1,000 Gallons


SCHEDULE OF NUMBER OF CUSTOMERS BY MONTH
For the Year Ended June 30, 2019

July	5,319
August	5,322
September	5,313
October	5,333
November	5,336
December	5,326
January	5,333
February	5,340
March	5,346
April	5,387
May	5,398
June	5,389

CITY OF PIGEON FORGE

AWWA WATER AUDIT REPORTING WORKSHEET

For the Year Ended June 30, 2019



**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
American Water Works Association.
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[?](#) Click to access definition

[+](#) Click to add a comment

Water Audit Report for: City of Pigeon Forge

Reporting Year: 2019 7/2018 - 6/2019

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

WATER SUPPLIED

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

Volume from own sources:	+ ? 8	1,609.780	MG/Yr
Water imported:	+ ? n/a		MG/Yr
Water exported:	+ ? 9	153.000	MG/Yr

WATER SUPPLIED: 1,456.780 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	8	Value:		MG/Yr
	+			MG/Yr
	-			MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 8	1,106.069	MG/Yr
Billed unmetered:	+ ? n/a		MG/Yr
Unbilled metered:	+ ? n/a		MG/Yr
Unbilled unmetered:	+ ? 8	44.587	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 1,150.656 MG/Yr

Click here: [?](#) for help using option buttons below

Use buttons to select percentage of water supplied OR value

Pcnt:	0.25%	Value:	44.587	MG/Yr
	+			MG/Yr
	-			MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 306.124 MG/Yr

Apparent Losses

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

Unauthorized consumption:	+ ?	3.642	MG/Yr
Customer metering inaccuracies:	+ ? 8	34.208	MG/Yr
Systematic data handling errors:	+ ? 6	3.318	MG/Yr

Apparent Losses: 41.168 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 264.956 MG/Yr

WATER LOSSES: 306.124 MG/Yr

Pcnt:	0.25%	Value:		MG/Yr
	+			MG/Yr
	-			MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 350.711 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 9	151.8	miles
Number of <u>active</u> AND <u>inactive</u> service connections:	+ ? 6	5,321	conn./mile main
Service connection density:	?	35	conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: 0 (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: 60.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 10	\$4,506,645	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$6.52	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 8	\$545.43	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:
***** YOUR SCORE IS: 80 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: Billed metered

See Independent Auditor's Report.

CITY OF PIGEON FORGE
AWWA WATER AUDIT REPORTING WORKSHEET (Continued)
For the Year Ended June 30, 2019

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association. Copyright © 2014, All Rights Reserved.	
Water Audit Report for: City of Pigeon Forge			
Reporting Year: 2019 7/2018 - 6/2019			
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 ***			
System Attributes:			
	Apparent Losses:	41.168 MG/Yr	
	+ Real Losses:	264.956 MG/Yr	
	= Water Losses:	306.124 MG/Yr	
	? Unavoidable Annual Real Losses (UARL):	35.47 MG/Yr	
	Annual cost of Apparent Losses:	\$268,417	
	Annual cost of Real Losses:	\$144,515 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:	24.1%
		Non-revenue water as percent by cost of operating system:	9.7% Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	21.20 gallons/connection/day
		Real Losses per service connection per day:	136.42 gallons/connection/day
		Real Losses per length of main per day*:	N/A
		Real Losses per service connection per day per psi pressure:	2.27 gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	264.96 million gallons/year
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	7.47
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline			

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*

Honorable Mayor and Board of Commissioners
City of Pigeon Forge
Pigeon Forge, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the budgetary comparison for the general fund and tourism development zone fund of City of Pigeon Forge as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Pigeon Forge's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Pigeon Forge'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 City of Pigeon Forge's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Pigeon Forge'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 a 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pigeon Forge's financial statements are free from 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 is 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 City of Pigeon Forge'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 City of Pigeon Forge's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 9, 2019

CITY OF PIGEON FORGE
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2019

There were no findings reported in the prior year.

