

NEW ISSUE  
BOOK-ENTRY-ONLY

**PRELIMINARY OFFICIAL STATEMENT**

**\$4,995,000\***  
**CITY OF GATLINBURG, TENNESSEE**  
**General Obligation Bonds, Series 2024A**  
**(Bank Qualified)**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, May 15, 2024 at 10:15 A.M. E.D.T.  
Through the Facilities of *PARITY*<sup>®</sup>



SINCE 1931

**CUMBERLAND SECURITIES**  
INDEPENDENT FINANCIAL ADVISOR

May 9, 2024

\*Preliminary, subject to change.

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

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 9, 2024**

**NEW ISSUE**

**BOOK-ENTRY-ONLY**

Rating: S&P – “AA”

(See “MISCELLANEOUS-Rating” herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading “LEGAL MATTERS-Tax Matters” herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS - Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS - Tax Matters” herein).*

**\$4,995,000\***

**CITY OF GATLINBURG, TENNESSEE  
General Obligation Bonds, Series 2024A**

Dated: Date of delivery (assume June 7, 2024).

Due: June 1, as shown below.

The \$4,995,000\* General Obligation Bonds, Series 2024A (the “Bonds”) issued by the City of Gatlinburg, Tennessee (the “City”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal, and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2024 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the City. The Bonds are additionally payable from, but not secured by, revenues derived from the operation of the water and sewer system of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. See section entitled “SECURITIES OFFERED – Security”.

The Bonds maturing June 1, 2032 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2031.

<b>Due (June 1)</b>	<b>Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>	<b>Due (June 1)</b>	<b>Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>
2025	\$120,000				2038	\$200,000			
2026	120,000				2039	205,000			
2027	125,000				2040	215,000			
2028	135,000				2041	225,000			
2029	135,000				2042	240,000			
2030	145,000				2043	245,000			
2031	150,000				2044	255,000			
2032	155,000				2045	265,000			
2033	160,000				2046	280,000			
2034	170,000				2047	290,000			
2035	175,000				2048	300,000			
2036	185,000				2049	310,000			
2037	190,000								

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon by Robert L. Vance with Woolf, McClane, Bright, Allen & Carpenter, PLLC, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about June \_\_\_, 2024.

**Cumberland Securities Company, Inc.**

Municipal Advisor

May \_\_, 2024

\*Preliminary, subject to change.

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

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

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

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Preliminary Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this *Preliminary Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

\*\*Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF GATLINBURG, TENNESSEE

**OFFICIALS**

Mike Werner  
Greg Patterson  
Robert L. Holt  
Robert L. Vance

*Mayor*  
*City Manager*  
*Finance Director*  
*City Attorney*

**COUNCIL MEMBERS**

Mark McCown, Vice Mayor

Jay Horner

Chad Reagan

Kirby Smith

**BOND REGISTRATION AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

**BOND COUNSEL**

Bass, Berry & Sims PLC  
Knoxville, Tennessee

**MUNICIPAL ADVISOR**

Cumberland Securities Company, Inc.



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## SUMMARY STATEMENT

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

The Issuer .....	City of Gatlinburg, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$4,995,000* General Obligation Bonds, Series 2024A (the “Bonds”) of the City, dated the date of issuance (assume June 7, 2024). The Bonds mature each June 1 beginning June 1, 2025 through June 1, 2049, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security .....	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The Bonds are additionally payable from, but not secured by, revenues derived from the operation of the water and sewer system of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
Purpose .....	The Bonds are being issued for the purpose of financing, in whole or in part, (i) the improvement and extension of the system, (ii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iii) reimbursement to the City for funds previously expended for any of the foregoing; and (iv) payment of the costs related to the issuance and sale of the Bonds.
Optional Redemption .....	The Bonds maturing June 1, 2032 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2031.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, as hereafter defined, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading “LEGAL MATTERS-Tax Matters” herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Bank Qualification .....	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor.....	Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
Underwriter.....	_____.
Bond Counsel .....	Bass, Berry & Sims PLC, Knoxville, Tennessee.

\*Preliminary, subject to change.

Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”.

Registration Agent.....Regions Bank, Nashville, Tennessee.

General.....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

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

Other Information.....The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the City or this *Preliminary Official Statement*, contact the City Manager, Greg Patterson, 1230 Parkway East, Gatlinburg, Tennessee 37738, Telephone: (865) 436-1400; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 800-850-7422.

**GENERAL FUND BALANCES**  
**Summary of Changes In Fund Balances**  
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Beginning Fund Balance	\$19,150,586	\$19,991,651	\$19,590,546	\$33,503,768	\$25,579,923
Revenues	26,070,877	25,465,738	35,867,859	39,577,811	39,755,780
Expenditures	19,441,211	20,373,593	18,697,786	20,936,952	27,055,116
Other Financing Sources:					
Transfers In	298,073	-	-	1,136,460	-
Transfers Out	(6,086,674)	(5,493,250)	(3,256,851)	(26,988,163)	(9,375,698)
Excess of Revenues Over (Under) Expenditures	841,065	(401,105)	13,590,546	(7,210,844)	3,324,966
<b>Ending Fund Balance</b>	<b>\$19,991,651</b>	<b>\$19,590,546</b>	<b>\$33,503,768</b>	<b>\$25,579,923</b>	<b>\$28,904,889</b>

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

SUMMARY NOTICE OF SALE  
**\$4,995,000\***  
**CITY OF GATLINBURG, TENNESSEE**  
**General Obligation Bonds, Series 2024A**

NOTICE IS HEREBY GIVEN that the Mayor of the City of Gatlinburg, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, May 15, 2024** for the purchase of all, but not less than all, of the City's \$4,995,000\* General Obligation Bonds, Series 2024A (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

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

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume June 7, 2024). The Bonds will mature on June 1 in the years 2025 through 2049, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2024, and will be subject to optional redemption prior to maturity on June 1, 2031. **Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. No rate or rates bid for the Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds and complies with all of the bid parameters outlined in this Summary Notice of Sale and the Detailed Notice of Sale. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee.

**In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the City will require bidders to comply with the “hold-the-offering-price rule” or the “10% Test” for purposes of determining the issue price of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.**

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through [www.prospectushub.com](http://www.prospectushub.com) or from the City’s Municipal Advisor, Cumberland Securities Company, Inc., (865) 988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Mike Werner  
Mayor

\*Preliminary, subject to change.

**DETAILED NOTICE OF SALE**  
**\$4,995,000\***  
**CITY OF GATLINBURG, TENNESSEE**  
**General Obligation Bonds, Series 2024A**

NOTICE IS HEREBY GIVEN that the Mayor of City of Gatlinburg, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, May 15, 2024** for the purchase of all, but not less than all, of the City’s \$4,995,000\* General Obligation Bonds, Series 2024A (the “Bonds”). Electronic bids must be submitted through *PARITY*<sup>®</sup> as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the *PARITY*<sup>®</sup> System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the *PARITY*<sup>®</sup> System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume June 7, 2024), bear interest payable each June 1 and December 1, commencing December 1, 2024 be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature and be payable as follows:

<u>YEAR</u> <u>(JUNE 1)</u>	<u>AMOUNT*</u>	<u>YEAR</u> <u>(JUNE 1)</u>	<u>AMOUNT*</u>
2025	\$120,000	2038	\$200,000
2026	120,000	2039	205,000
2027	125,000	2040	215,000
2028	135,000	2041	225,000
2029	135,000	2042	240,000
2030	145,000	2043	245,000
2031	150,000	2044	255,000
2032	155,000	2045	265,000
2033	160,000	2046	280,000
2034	170,000	2047	290,000
2035	175,000	2048	300,000
2036	185,000	2049	310,000
2037	190,000		

\*Preliminary, subject to change.

Bank Qualification. The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial

ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the successful bidder for the Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only System is not required.

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

Security Pledged. The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the City. The Bonds are additionally payable from, but not secured by, revenues derived from the operation of the water and sewer system of the City (the "System"). For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

Municipal Bond Insurance. The City has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The City will cooperate with the successful bidder(s) in obtaining such insurance, but the City will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of S&P that will be paid by the City.

Purpose. The Bonds are being issued for the purpose of providing funds for financing, in whole or in part, (i) the improvement and extension of the System, (ii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iii) reimbursement to the City for funds previously expended for any of the foregoing; and (iv) payment of the costs related to the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2032 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2031, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory

sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

**Bidding Instructions.** The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. **Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall not be less than four percent (4.00%) or be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.**

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

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

In the event of a system malfunction in the electronic bidding process bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the City's Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Any written bids should be submitted by facsimile to the City's Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor to the bidder whose bid complies with this Detailed Notice of Sale and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

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

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds or if the refundings fail to save the City the funds necessary to complete the refundings. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

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

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

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Municipal Advisor (by wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

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

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

#### Establishment of Issue Price

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

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

After the award of the Bonds, the City will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the final *Official Statement* a

“NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

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

#### Establishment of Issue Price

- a. The successful bidder shall assist the City in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the City under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor, and any notice or report to be provided to the City may be provided to the Municipal Advisor.
- b. The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
  1. the City shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
  2. all bidders shall have an equal opportunity to bid;
  3. the City expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
  4. the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale.

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

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



- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5<sup>th</sup>) business day after the sale date; or
  2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

- e. By submitting a bid, each bidder confirms that:
- (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
    - (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5<sup>th</sup>) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
    - (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
    - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.
  - (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5<sup>th</sup>) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The City acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-

Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.

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

1. “public” means any person other than an underwriter or a related party;
2. “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax

consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in the *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given to the successful bidder of such delivery. Delivery will be made in book-entry-only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

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

Official Statements; Other. The City has deemed the *Preliminary Official Statement* to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds will constitute a contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York, 10018, Telephone: 212-849-5000.

/s/ Mike Werner, Mayor

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**EXHIBIT A**

**CITY OF GATLINBURG, TENNESSEE  
[§ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES 2024A]**

**ISSUE PRICE CERTIFICATE  
(if Competitive Sale Requirements are met)**

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

1. ***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 15, 2024.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party

to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT B

### CITY OF GATLINBURG, TENNESSEE [§ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES 2024A]

#### ISSUE PRICE CERTIFICATE (if Competitive Sale Requirements are not met)

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

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
  - (a) [SHORT NAME OF UNDERWRITER] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
  - (b) As set forth in the [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. ***Defined Terms.***
  - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
  - (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”
  - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
  - (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different

maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 15, 2024.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_

[NAME OF UNDERWRITER]

By: \_\_\_\_\_



**BID FORM**

Honorable Mike Werner, Mayor  
 1230 Parkway East  
 Gatlinburg, TN 37738

May 15, 2024

Dear Mayor Werner:

For your legally issued, properly executed \$4,995,000\* General Obligation Bonds, Series 2024A (the “Bonds”) of the City of Gatlinburg, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$ \_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume June 7, 2024) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2025	\$120,000	___	2038	\$200,000	___
2026	120,000	___	2039	205,000	___
2027	125,000	___	2040	215,000	___
2028	135,000	___	2041	225,000	___
2029	135,000	___	2042	240,000	___
2030	145,000	___	2043	245,000	___
2031	150,000	___	2044	255,000	___
2032	155,000	___	2045	265,000	___
2033	160,000	___	2046	280,000	___
2034	170,000	___	2047	290,000	___
2035	175,000	___	2048	300,000	___
2036	185,000	___	2049	310,000	___
2037	190,000	___			

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

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

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

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

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the  
 City of Gatlinburg, Tennessee, this  
 15<sup>th</sup> day of May 2024

\_\_\_\_\_  
 Mike Werner, Mayor

Respectfully submitted,

\_\_\_\_\_  
 Total interest cost from  
 June 7, 2024 to final maturity \$ \_\_\_\_\_  
 Less: Premium /plus discount, if any \$ \_\_\_\_\_  
 Net Interest Cost \$ \_\_\_\_\_  
 True Interest Rate \_\_\_\_\_%

*The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*



**\$4,995,000\***  
**CITY OF GATLINBURG, TENNESSEE**  
**General Obligation Bonds, Series 2024A**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement* which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by the City of Gatlinburg, Tennessee (the “City”) of \$4,995,000\* General Obligation Bonds, Series 2024A (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions adopted by the City Council of the City (the “City Council”). The detailed bond resolution (the “Resolution”) authorizing the issuance of the Bonds was adopted by the City Council on April 16, 2024 (the “Resolution”).

The Bonds are being issued for the purpose of providing funds for financing, in whole or in part, (i) the improvement and extension of the system, (ii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iii) reimbursement to the City for funds previously expended for any of the foregoing; and (iv) payment of the costs related to the issuance and sale of the Bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from their date of issuance and delivery (assume June 7, 2024). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2024. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

**SECURITY**

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The Bonds are additionally payable from, but not secured by, revenues derived from the operation of the System. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal

of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of other available funds, including revenues of the water and sewer system of the City, for the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

## **OPTIONAL REDEMPTION OF THE BONDS**

Bonds maturing June 1, 2032, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2031 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

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

## **MANDATORY REDEMPTION**

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20\_\_, and June 1, 20\_\_ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued

interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five

(45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

## **PAYMENT OF BONDS**

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

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

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

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

### BOOK-ENTRY-ONLY SYSTEM

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

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

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

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over

100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may



wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

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

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

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

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

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the

City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2024 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the City. The City shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the City for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law to the extent permitted by applicable law.

## **DISCHARGE AND SATISFACTION OF BONDS**

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

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

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations,

as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

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

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

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

## **REMEDIES OF BONDHOLDERS**

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

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

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

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## LEGAL MATTERS

### LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

### TAX MATTERS

#### Federal

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

- is excluded from a bondholder's federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

*Qualified Tax-Exempt Obligations.* Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

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

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup

withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

## **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or

omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

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

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## MISCELLANEOUS

### RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA”.

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

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

### COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on May 15, 2024. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that is dated May 9, 2024.

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

### MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

*Municipal Advisor.* Cumberland Securities Company, Inc., has served as Municipal Advisor (the “Municipal Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review

or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

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

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

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

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

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

## **ADDITIONAL DEBT**

The City has authorized not authorized any additional debt. However, the City has various capital projects which may or may not be funded in future years and may require the issuance of additional debt.

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## **DEBT LIMITATIONS**

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

## **DEBT RECORD**

There is no record of a default on principal and interest payments by the City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

## **CONTINUING DISCLOSURE**

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2024 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

*Five-Year History of Filing.* For the past five years, the City is unaware of any instances in which it has not complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

1. Summary of Bonded Indebtedness as of the end of such fiscal year;

2. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base;
3. Information about the Bonded Debt Service Requirements – Capital Improvement Fund as of the end of such fiscal year;
4. Information about the Bonded Debt Service Requirements – Convention Center as of the end of such fiscal year;
5. Information about the Bonded Debt Service Requirements – Water and Sewer as of the end of such fiscal year;
6. The Fund Balances, Net Assets and Retained Earnings for the fiscal year;
7. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year;
8. The estimated Assessed Value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
9. Property Tax Rates and Collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year; and
10. The Ten Largest Taxpayers.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the City or related public entities, which have been submitted to the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;

- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms as of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

*Termination of Reporting Obligation.* The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

## **BONDHOLDER RISK**

*COVID-19.* The Issuer has not experienced any negative material effects to property tax collections or sales tax collections as a result of the COVID-19 pandemic.

The Issuer's liquidity position remains strong. As of June 30, 2023, it is estimated that the Issuer had over \$28 million in General Fund reserves and over \$21 million in the Convention Center Debt Service Fund. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

*CLIMATE CHANGE.* Planning for climate change in the State and its impact on the City's operation is an unknown challenge. The State's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. The financial impact of climate change is not yet known, and therefore, its future impact on the City cannot be quantified reliably at this time.

*CYBER-SECURITY.* Computer networks and data transmission and collection are vital to the efficient operations of the City. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City's operations, which could materially affect the City and its operations.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in this *Preliminary Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

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

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

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

The City has deemed this *Preliminary Official Statement* as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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**CERTIFICATION OF THE CITY**

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ \_\_\_\_\_  
Mayor

ATTEST:

/s/ \_\_\_\_\_  
City Recorder



**APPENDIX A**

**LEGAL OPINION**



**LAW OFFICES OF  
BASS, BERRY & SIMS PLC  
900 SOUTH GAY STREET, SUITE 1700  
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Gatlinburg, Tennessee (the "Issuer") of the \$\_\_\_\_\_ General Obligation Bonds, Series 2024A (the "Bonds") dated \_\_\_\_\_, 2024. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

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

3. The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The Bonds are additionally payable from, but not secured by, revenues derived from the water and sewer system of the Issuer. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Issuer have been irrevocably pledged.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

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

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

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

**SUPPLEMENTAL INFORMATION STATEMENT**





## GENERAL INFORMATION

### LOCATION

The City of Gatlinburg (the “City”) was incorporated in 1945 and is located in southeastern Sevier County (the “County”) in eastern Tennessee. Sevier County is located in the eastern portion of the State of Tennessee. The County is bordered to the north by Jefferson County and to the east by Cocke County. The state of North Carolina provides the County's southern border. Blount and Knox Counties make up the County's western border. The City of Sevierville serves as the County seat and is approximately 26 miles east of Knoxville. Other incorporated towns within Sevier County include Pigeon Forge and Pittman Center.

Gatlinburg is the principal resort town and entrance for the Great Smoky Mountains National Park (the “Park”). The Park is located in the center of the eastern half of the United States and is readily accessible to 70% of the country's population. Each year the Park draws the largest attendance of any of the National Parks in the United States. Gatlinburg is surrounded by the Park on three sides.

### GENERAL

The approximate land area of the County is 385,920 acres.

The 2020 Census estimated that Sevier County’s population was 98,380 and the City of Sevierville was 17,889. The 2020 Census estimated that the City of Pigeon Forge population was 6,343. Sevierville was designated a Micropolitan Statistical Area (the “mSA”). An mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents.

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the “CSA”). The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 190,740 according to the 2020 Census.

Sevier County and the City of Sevierville were named for one of the leading figures in the history of Tennessee, John Sevier. Sevier was a frontiersman, American Revolution war hero and the first Governor of Tennessee. After six terms as Governor, he then served in both the State Senate and in the U.S. House of Representatives. His political career was often shadowed by a growing rivalry with Andrew Jackson that almost escalated into a duel in the early 1800’s. Sevier died in Georgia during a boundary negotiation with the Creek Indians in 1815.

### TRANSPORTATION

The County is served by U.S. Highways 411 and 441, and links the City to Interstates 40, 75, and 81 as well as state highways 35, 66, 71 and 321.

The County has a trolley system that originated in 1980 with only six trolleys, but the fleet has grown to 20-plus trolleys servicing approximately 50 miles of trolley routes and is managed by the City of Pigeon Forge and the City of Gatlinburg.

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

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

## **EDUCATION**

The *Sevier County School System*, which serves all the cities in the County, is quite extensive serving its citizens with twenty-nine schools. This system had a fall 2022 combined enrollment of over 14,069 students. Five private/parochial schools and a vocational school also serve the County.

*Source:* Tennessee Department of Education.

*East Tennessee State University (the "ETSU") Sevierville Center.* The Sevierville Center is a small campus on Highway 416 that offers fourteen undergraduate degrees and four graduate degrees. ETSU was founded in 1911 in the northeast corner of Tennessee. Fall 2022 total enrollment was 13,577 students. ETSU's main campus is situated on a more than 350-acre campus located in nearby Johnson City. The main campus is adjacent to the 31-acre Veterans Administration facility that is home to the James H. Quillen College of Medicine. The Johnson City Medical Center Hospital (Ballard Health) is located nearby. ETSU offers approximately 74 majors of study in its undergraduate program, 30 degree fields in its master's programs and doctorates in education, education administration, and biomedical sciences. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees. Over 15,000 undergraduate, graduate and professional students attend ETSU. Extended regional campuses are located in Kingsport, Elizabethton and Greeneville.

*Source:* East Tennessee State University and TN Higher Education Commission.

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

Walters State Community College, a public two-year higher education institution founded in 1970, is located in Morristown, Tennessee. The college offers programs of study that lead to the Associate of Science, Associate of Arts, and Associate of Applied Science degrees. Fall 2022 enrollment was 5,486 students. There are four principal campuses in Hamblen, Sevier, Greene, and Claiborne Counties. Walters State serves ten predominantly rural East Tennessee counties in the mountains and foothills of the Great Smoky Mountains and the Clinch Mountains. The primary service area includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Sevier, and Union.

*Source:* Walters State Community College and Tennessee Higher Education Commission.

*The Tennessee College of Applied Technology at Morristown Sevierville Campus.* The Tennessee College of Applied Technology at Morristown Sevierville (the “TCAT-MS”) is part of a statewide system of 26 vocational-technical schools. The TCAT-MS meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical school. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-MS serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The TCAT-MS main campus is located in Hamblen County. Fall 2021 enrollment was 1,324 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

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

## **HEALTHCARE**

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

In 2022, LeConte Medical Center was named as a top rural hospital in the inaugural “148 Best Hospitals in America” by Money magazine and the LeapFrog Group. It was the only rural hospital and one of just three in Tennessee to be named to the magazine's list, which is designed to help consumers make educated decisions about hospitals that provide the best monetary value.

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

*Source:* Knoxville News Sentinel.

## SOCIAL AND DEMOGRAPHIC DATA

The population of the County more than tripled since 1970. According to the 2020 Census, Sevier County’s population had grown by 47,337 since 1990. This growth ranked the County as one of the fastest growing counties in Tennessee. This growth is depicted in the chart below:

1970.....	28,141 persons
1980.....	41,418 persons
1990.....	51,043 persons
2000.....	71,170 persons
2010.....	89,889 persons
2020.....	98,380 persons

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Sevier County</u>	<u>Pigeon Forge</u>	<u>Sevierville</u>
Median Value Owner Occupied Housing	\$281,900	\$232,100	\$239,800	\$234,900	\$240,700
% High School Graduates or Higher Persons 25 Years Old and Older	89.10%	89.30%	87.7%	72.9%	87.1%
% Persons with Income Below Poverty Level	11.50%	13.30%	11.6%	21.4%	15.4%
Median Household Income	\$75,149	\$64,035	\$60,103	\$53,380	\$49,449

Source: U.S. Census Bureau State & County QuickFacts - 2022.

## POWER PRODUCTION

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

Source: Tennessee Valley Authority.

## TOURISM

Sevier County has enjoyed a booming tourist industry. Tourism is the largest contributor to Sevier County's economy. On average, the daily expenditures in tourist spending in the

County is over \$6.7 million per day, and the daily payroll from tourism is over \$1.7 million per day. The tourism industry employs almost 55,000 jobs in the County. The County ranks in the top three in the state for tourist spending dollars (on average over \$2 billion annually). The total tax generated by the Hospitality and Tourism Industry in Sevier County per year is about \$209 million. Each Sevier County household pays \$5,663.89 LESS in State and Local taxes as a result of taxes generated by the Hospitality and Tourism Industry. Sevier County ranks lowest in effective property tax rates (.35%) of all 95 counties in Tennessee as a result of the economic impact of tourism.

*Source:* 2022 Economic Impact of Travel on Tennessee Counties Report.

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

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

The main tourist attraction in the area is the Great Smoky Mountains National Park, which is the most visited national park in the United States. According to the National Park Service, visitor spending at the Park for 2022 was over \$2 million. Visitors in 2022 reached over 12.9 million. In 2021, the Park had a record number of visitors at over 14.1 million visitors, breaking the previous record by 1.5 million people.

*Source:* National Park Service.

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

*Tennessee Whiskey Trail.* The Tennessee Whiskey Trail was launched in 2017 and is more than 800 miles to distilleries throughout the state, including the Jack Daniel Distillery in Middle Tennessee. Tennessee has been a leader in spirits distillation throughout the nation's history, including the time before, during and after Prohibition. Sevier County has several distilleries on the Trail.

According to the Department of Tourist Development's 2018 Economic Impact report, more than 6.3 million visitors crisscrossed the state to experience the distilleries on the Trail. Since Tennessee state law changed in 2009 to allow more distilleries, more than 30 distilleries in Tennessee are now on the Tennessee Whiskey Trail. The distilleries on the Trail house millions of barrels of whiskey valued at billions of dollars and accounting for nearly 100 percent of all

distilled spirits produced in Tennessee. More than \$260 million has been invested in Trail distilleries over the past 10 years, adding more than 500 jobs throughout the state.

## ***Gatlinburg***

### **Tax Structure**

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

Gatlinburg tourism is a major contributor to Sevier County's economy, even though it only has a population of less than 4,000. Overnight accommodations range from rustic cabins and chalets, modern motels and motor inns, high-rise hotels, bed & breakfast inns and camping.

Gatlinburg offers over 14,000 sleeping rooms including full-service and limited-service hotels and motels, condominiums, chalets, cabins and campgrounds. These accommodations are available with a variety of locations: from downtown overlooking the Little Pigeon River to a mountaintop overlooking the Smoky Mountains to secluded natural surroundings.

*Anakeesta.* Anakeesta is an outdoor family theme park that is located on 70 acres at the summit of Anakeesta Mountain in Gatlinburg. The park underwent an expansion in 2020 to built an observation tower, musical stage, and a waterfall. The theme park includes scenic rides from downtown Gatlinburg to the summit of Anakessta Mountain via the Chondola ride and Ridge Rambler adventure trucks. The park features the Children's Treehouse Village Adventure, BearVenture play area, Dueling Ziplines, Rail Runner Mountain coaster and the Treetop Skywalk. At more than 800' long, the Treetop Skywalk is the longest tree-based bridge in North America with a spectacular series of suspension bridges hanging 50-60 feet in the air between trees. At the top are scenic views of Mt. LeConte, casual dining with a full-service bar and outdoor seating, and several other attractions. There is also a whimsical Treehouse Village Adventure and a Memorial Forest Walk about the November 2016 fire. The park includes an interactive Vista Gardens botanical walk that features 1,700 feet of walking trails. Anakeesta is a Cherokee Indian word and is most often associated with a massive rock layer known as the Anakeesta Formation that encompasses many of the peaks in the Smoky Mountains.

*Source:* Anakeesta.com.

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

*Source:* National Park Service.

*Gatlinburg Convention Center and W.L. Mills Auditorium.* Built in 1989, the Gatlinburg Convention Center offers over 148,000 square feet of flexible meeting and exhibit space. The Great Hall provides 67,000 square feet of exhibit space, 50,400 square feet of which is free-span

with a ceiling height of 30 feet. It can accommodate 6,000 people, 350 booths or be divided into three separate halls for smaller events. The Tennessee Ballroom provides 17,064 square feet with a ceiling height of 27 feet. The ballroom can accommodate 2,100 people in theater seating, 1,200 people in banquet round seating and can be divided into four separate sections for smaller events. The Gatlinburg Boardroom area is 38,200 square feet, including 16 meeting rooms, pre-function space, two private parlors and a special VIP/media suite. The W.L. Mills Auditorium adjoining the Convention Center provides 8,800 square feet with a ceiling height of 22 feet. It can accommodate 1,100 people in theater seating and 580 people in banquet round seating. The auditorium comes with a 925-square foot built-in stage.

*Source:* The City of Gatlinburg.

*Great Smoky Mountains National Park (the "Park").* The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. The City of Gatlinburg in Sevier County is the gateway city to the Park. Over 500,000 acres were set aside in 1934 to form the Park. The Park includes 244,000 acres in Tennessee and 276,000 acres in North Carolina and covers a total 800 square miles. It includes 97 historic and 342 modern structures that are maintained by the Park. The Park is a hiker's paradise with over 800 miles of maintained trails, including the Appalachian Trail. The Smoky Mountains have the most biological diversity of any area in the world's temperate zone. The Park is a sanctuary for a magnificent array of animal and plant life, all of which is protected for future generations to enjoy.

Located in the center of the eastern half of the United States, the Park is readily accessible to 70% of the country's population. Each year it draws the largest attendance of any of the National Parks in the United States.

A news release from the park service says the spending supported over 32,500 jobs in the local area for 2022. The peer-reviewed visitor spending analysis was conducted by U.S. Geological Survey economists along with the National Park Service. According to the report, most visitor spending supports jobs in restaurants, grocery and convenience stores; hotels, motels and bed and breakfasts; and other amusement and recreation.

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

*Source:* National Park Service.

*Margaritaville Resort Gatlinburg.* In June of 2018, the \$35 million Jimmy Buffett-inspired resort opened. The 133,000-square-foot resort sits on a four-acre river island in downtown Gatlinburg, just minutes from the Great Smoky Mountains National Park and Anakeesta Outdoor Theme Park. The seven-story resort was designed by the Knoxville-based Ballard Design Group and is based on the tropical, "no worries" vibe crafted by the singer-songwriter. The resort features 163 rooms, the License to Chill Bar, Landshark Bar & Grill, the St. Somewhere Spa, 3,000 square feet of event space, indoor and outdoor pools, double-loop water slide, splash pad, hammocks and fire pits. There is also Jimmy's Hideaway, which is a secluded one-bedroom bungalow on the property with a private riverfront patio, fire pit and

floating tub. Margaritaville Resort Gatlinburg has been named the country's Best New Hotel by USA TODAY's 10Best Readers' Choice travel awards. McManus' Knoxville-based Marlin Hospitality Group licenses the three Margaritaville properties in Tennessee, including Margaritaville Island Hotel and Margaritaville Island Inn in Pigeon Forge. There are 12 Margaritaville resorts and 20 more in development.

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

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

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

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

*Source:* Ober Gatlinburg Ski Resort and Amusement Park.

*Ole Smoky Moonshine Holler.* The Mellow Mushroom restaurant moved into Ole Smoky Moonshine Holler in 2011. Also located in the Plaza is The Ole Smoky Distillery, which sells legal moonshine and opened for business in 2010. Ole Smoky now has three facilities in Sevier County and distributes its moonshine to 49 states, Canada, Latin America and the Caribbean.

*Park Vista Hotel.* The Park Vista, a DoubleTree by Hilton Hotel located in Gatlinburg, is the largest hotel in Sevier County. The hotel has been a landmark in Gatlinburg since it was opened in 1976. The 16-story, 300-room hotel has a circular high-rise design overlooking the Smoky Mountains, two restaurants featuring indoor and outdoor dining and over 25,000 square



feet of meeting and conference space. The hotel also includes a fitness center and an indoor pool.

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

*Source:* The Knoxville Sentinel.

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

*Westgate Smoky Mountain Resort & Spa.* The mountain resort, Westgate Smoky Mountain Resort & Spa, offers over 1,000 dwelling units in 100 buildings with accommodations ranging from studios to five-bedroom villas. Wild Bear Falls Water Park encompasses 60,000 square feet, has a retractable roof, waterslides, a lazy river, and treehouses with surprise splashes of water. There are also heated indoor / outdoor pools and spa tubs, Serenity Spa facilities, the 50,000-square-foot indoor Flying Bear Zipline, a grocery store, deli and ice cream shop, a fitness center, playground, three restaurants, and a miniature golf course.

The wildfires of November 28, 2016 heavily damaged the Westgate Smoky Mountain Resort & Spa. The reopening included an expansion with the reconstruction of the resort. The \$150 million construction (which is fully covered by insurance) rebuilt 800 lost units plus added another 100 dwelling units.

## ***Pigeon Forge***

### **Tax Structure**

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

The major portion of the commercial activity in Pigeon Forge is devoted to the tourism industry. Pigeon Forge has a 2020 U.S. Census population of 6,343, yet visitors can boost the daily population to upwards of 50,000. The temporary population gain is the result of approximately 10,000 lodging units inside the city limits, including hotels, motels, condominiums, cabins, log homes and campgrounds. The City is visited by more than 11,000,000 tourists a year.

*Source:* Pigeon Forge Development.

*Beyond the Lens.* Beyond the Lens, a 30,000 square foot tourist attraction, opened in 2019. The attraction also opened a location in Branson, Missouri. Both sites represent a \$25 million combined investment and created 50 new jobs at each location. Beyond the Lens has several pop culture experiences as well as virtual reality games, interactive touch screens for gaming and drawing, a kaleidoscopic telephoto lens tunnel and an escape room.

*Dollywood Entertainment Park.* Dolly Parton's Dollywood theme park is the most popular private attraction in Tennessee. Dollywood sits on 125 acres in Pigeon Forge and is the 25th largest theme park in the United States. The Park has attendance of over 2.4 million visitors each year and is Sevier County, Tennessee's largest seasonal employer with over 2,500 employees in the peak season from June through August. Dollywood's Splash Country Water Park has both relaxing water rides and Tennessee's first water coaster. The Dollywood Company also owns The Stampede and Pirates Voyage Dinner and Show.

In 2023, Dollywood won its first Golden Ticket award for best park in the world, beating long time winner Europa-Park in Rust, Germany. The award is decided through industry journalists, ride manufacturers, and amusement park fans.

*Dollywood Attractions and Expansions.* Since 2010, The Dollywood Company has invested more than \$220 million into its properties. Previous expansions included Dollywood's DreamMore Resort and Spa, roller coasters Lightning Rod and Fire Chaser Express, the \$37 million Dollywood addition called Wildwood Grove and TailSpin Racer at Dollywood's Splash Country.

Originally, Dollywood planned to invest \$300 million to include new attractions and resorts from 2014 to 2024. That plan has been expanded to 2032 to add more than 2,000 jobs and \$500 million more in investments for the facility from 2022-2032. The new investments will include several new resorts, a campground, a possible new entrance to their hospitality area, a new roller coaster in the Wildwood Grove area, among other plans. It's estimated that the new Dollywood investments will add \$150 million annually to the local economy. Additionally, more than \$7 million in state and local taxes will be generated by the company's 10-year investments. Approximately 2,000 jobs are expected to be created due to the addition of the resort, primarily in the hospitality and construction industries.

First constructed was the \$15 million family rollercoaster The Fire Chaser Express, which opened in March of 2014.

Next was DreamMore, which is a 306-room resort that opened in the summer of 2015. It was built on 100 acres near the existing Splash Country. DreamMore was ranked the best amusement park hotel in America by USA Today in 2021. The resort has a variety of room sizes and suites available, along with more than 8,000 square feet of indoor meeting space with state-of-the-art technology. Outdoors, the property can accommodate groups as large as 500. The resort also includes a full-service farmhouse restaurant with indoor and outdoor seating, an indoor and outdoor pool, and an amphitheater for outdoor entertainment. Guests are also able to enjoy fire pits and hammocks and a full-service spa.

The \$22 million Lightning Rod roller coaster opened in the summer of 2016 and is the fastest wooden roller coaster in the world. The ride propels guests to top speeds of more than 70

miles an hour. At the time of its opening, it was the single-largest attraction investment in the park.

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

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

In 2023, the park opened the longest roller coaster in the attraction's history. Big Bear Mountain is a \$25 million, 3,990-foot-long roller coaster. The roller coaster is an expansion to the Wildwood Grove area of the park. The ride was designed with families in mind. Big Bear Mountain, being built by ride manufacturer Vekoma, also marks the first attraction at the park that features on-board audio that provides sound to enhance the ride's movements. The ride features the character, Ned Oakley, Wildwood Grove's resident wilderness explorer, and is located near Grove's Hidden Hollow. The seats are fashioned to look like specially outfitted, four-wheel drive SUVs.

HeartSong Lodge and Resort was completed in late 2023. The resort is a five-story, 302-room resort with a range of accommodations and amenities. The new lodge is adjacent to DreamMore, which opened in 2015, allowing easy access to Dollywood and Dollywood's Splash Country. The resort houses indoor and outdoor pools for all seasons, and the picturesque outdoor cove includes family gathering spaces, a communal fire pit and a screened-in porch. With 26,000 square feet of flexible indoor and outdoor meeting space, the resort can accommodate gatherings for several hundred guests at the two-story HeartSong Event Center, outdoor meeting spaces and event lawn.

*Dollywood Festivals.* Each season has an attraction sponsored by local corporations to keep visitors returning to the park. Spring has the Flower and Food Festival presented by Covenant Health that features plant sculptures, hundreds of thousands of flowers and garden-fresh foods inspired by spring in the Smokies. Summer has the Smoky Mountain Summer Celebration presented by Bush's Beans that has new water features to beat the heat of the day and Sweet Summer Nights that features fireworks and drone shows after dark. Fall has the Harvest Festival and Great Pumpkin LumiNights, presented by Humana and Covenant Health, that features gigantic glowing pumpkin sculptures and thousands of carved pumpkins. Smoky Mountain Christmas, presented by Humana, features award-winning shows, five million lights, and a 50-foot Christmas tree.

*Dollywood Housing.* Dollywood will also build a new workforce housing complex to house its workforce, local and foreign. The first phase began construction on a 750-bed dorm in 2021 included in the housing complex. The Southern Hospitality Internship Program is an initiative to bring interns (local students and foreign workers with visas) to work hospitality at

local businesses. The dorm will be available to Dollywood interns as well as other local businesses. The second phase will be another dorm that would add 340 beds, with 85 set aside for workers at other area businesses. The third phase of the project would be apartments with studios and multi-bedroom apartments that would allow families to come here to find work and possibly remain in the community. An access road to the workforce housing facility is already under construction. Dollywood has asked that the City pay half of the \$1 million bill on the access road, which would be a public road.

Dollywood is now also working to utilize H2B visas for temporary foreign workers, which are usually for people who aren't in school. The H2B visas are typically active for nine months - long enough to help the park through its busy season. Those workers could also stay in the dorms. In the past, foreign workers could only get a 3-month visa.

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

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

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

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

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

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

*Source:* Pigeon Forge Convention Center.

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

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

*Tennessee Whiskey Trail.* There are two distilleries on the Trail in Pigeon Forge: Junction 35 Spirits and Old Forge Distillery. Junction 35 Spirits produce many different spirits and premium liquors. Old Forge Distillery produces small-batch spirits, to include moonshines, cream liqueurs, bourbon, vodka, barrel aged gin and rum, using stone-ground grains from the Old Mill, one of the oldest continually operated gristmills in America.

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

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

## ***Sevierville***

### **Tax Structure**

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

Comfort Suites Interstate, Hampton Inn Interstate, LaQuinta Inn, Wilderness at the Smokies, Fairfield Inn & Suites by Marriott and Holiday Inn Express are some of the major hotel brands within the City. Sevierville has a 2020 U.S. Census population of 17,889, yet 13 million visitors come every year. The City is small with only 22 square miles, yet it has almost 2,000 businesses.

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

*Source:* Sevierville Convention Center.

*Soaky Mountain Waterpark.* Across the street from its sister park, Wilderness at the Smokies, the Soaky Mountain Waterpark is a \$90 million, 50-acre waterpark that opened in 2020. The park includes rides for every member of the family with a 35,000 square foot wave pool and the world's first water coaster of its kind - Avalaunch, a ride that launches guests through a winding tube and into a 60-foot wall that makes it feel like riders are freefalling.

Wilderness Resorts and Waterparks also owns and operates Wilderness Resort, Glacier Canyon Lodge, Soaky Mountain Waterpark and Wilderness on the Lake in Wisconsin Dells in Sevier County. Wilderness Resorts and Waterparks owns and operates Soaky Mountain and six other properties across the country.

*Source:* Knox News Sentinel.

*Wilderness at the Smokies.* Wilderness at the Smokies is an upscale waterpark resort including condos, hotels and nearby event center and golf course. The water park, covering fourteen acres, was completed in the summer of 2009 and has been expanded several times since then.

The park features an indoor waterpark and the state's first indoor suspended cloud coaster. Also featured are an XD theater, a water coaster, a lazy river, indoor/outdoor hot tub, a children's play attraction, VIP climate-controlled cabanas, a bar with snack shack, a "dry park" featuring a ropes course, laser tag, bowling, and a black-light mini-golf course. During the holiday season, an ice rink occupies a 3,200 square foot portion of the resort's outdoor wave pool.

Wilderness has also built a hotel that will serve the Sevierville Convention Center. The Convention Center hotel has 234 rooms and 468 rooms at the River Lodge. In addition, several 2,600 square foot villas that can sleep up to twelve guests were built overlooking the golf course.

The resort also built a 4-story, 160 condominium residence property with views of golf courses, water park and the Smoky Mountains. Perks of ownership of a residence include indoor and outdoor waterpark admission and the option of using them as rental units. Prices ranged from \$100,000 to \$500,000, and on the first day the units went up for sale, over 70 percent of the condos were sold at almost \$41 million dollars.

The Wilderness at the Smokies is the second-largest tourist investor in Sevier County, behind Dollywood. Wilderness Resorts and Waterparks also owns and operates Wilderness Resort, Glacier Canyon Lodge, Soaky Mountain Waterpark and Wilderness on the Lake in Wisconsin Dells in Sevier County.

*Source:* Wilderness Dells.

## Sevier County

### Tax Structure

State Sales Tax: 7.00%

Local Option Sales Tax: 2.75%

Lodging Tax: 3.00%

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

*Source:* Tennessee Valley Authority.

*Tennessee Whiskey Trail.* There are several stops on the Tennessee Whiskey Trail located in the County. Multiple distilleries produce whiskey, unaged spirits and sipping creams.

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

*Source:* Knoxville News Sentinel.

## MANUFACTURING AND COMMERCE

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

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

the TDZ to fund the Events Center and surrounding infrastructure, improvements to City parking, the Jake Thomas Road Connector and more.

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

*Tennessee Downtowns.* The City of Sevierville has a historically significant downtown that it has improved through the Tennessee Downtowns program. Tennessee Downtowns is an affiliated program of Tennessee Main Street designed to help rural communities to revitalize their downtown areas. The Tennessee Downtowns program helps local communities revitalize traditional commercial districts, enhance community livability, spur job creation and maintain the historic character of downtown districts. The two-year program coaches selected communities and their steering committees through the steps of launching effective renewal efforts. Tennessee Downtowns includes community training in the Main Street America program and a grant for a downtown improvement project. As of November 2023, Tennessee Department of Economic and Community Development (the “TNECD”) provides the Tennessee Downtowns program to 76 communities that want to pursue the Main Street America approach to downtown revitalization.

The selected communities all have downtown commercial districts established at least 50 years ago and have demonstrated their readiness to organize efforts for downtown revitalization according to Main Street America principles. The highly competitive selection process was based on historic commercial resources, economic and physical need, demonstrated local effort, overall presentation and probability of success. Grants are awarded to organizations that illustrated the need for improvements and the ability to execute an effective design plan for building facades, wayfinding signage, gateways and streetscapes. As part of the program, each new grant recipient will be required to match 25-percent of the funding received.

Tennessee Downtown communities that complete the program are eligible for additional Downtown Improvement Grants as well as Main Street designation. There are currently 46 nationally accredited Main Street communities in Tennessee, 20 of which successfully completed the Tennessee Downtowns program prior to their national accreditation.

*Source:* Tennessee Department of Economic and Community Development.

*Tennessee Main Street Program.* The City of Sevierville has a historically significant downtown that it has improved through accreditation with the Tennessee Main Street Program. As of November 2023, there are 46 communities that are accredited through the state program Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2020, accredited Tennessee Main Street communities generated \$79 million of public and private investment and nearly 158



new businesses. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

*Source:* Tennessee Department of Economic and Community Development.

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

**Major Employers in Sevier County**

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Dollywood <sup>1</sup>	Amusement Park	4,500
Sevier County Schools	School System	2,572
Tanger Five Oaks Outlet	Retail	800
Charles Blalock & Sons	Asphalt & Concrete	800
Collier Foods	Restaurant	720
Ole Smoky Moonshine	Distillery	700
Sevier County	Government	650
Wilderness at the Smokies	Hotel and Water Park	634
Walmart	Retail	527
Dolly Parton’s Stampede	Dinner Theater	523
Fee Hedrick Family Entertainment	Entertainment	511
Wyndham Vacation <sup>2</sup>	Collections	500
Westgate Resorts	Hotels	500
Family Inns of America	Hotels	475
LeConte Medical Center	Hospital	450
Israel Enterprises	Restaurants	450
Swaggerty’s Farms	Food Service	425
Ripley’s Aquarium	Aquarium	405
Stokely Hospitality	Restaurants, Catering & Resorts	400

<sup>1</sup> Employment figure is based on Operating season; it drops to around 300 during the off-season.

<sup>2</sup> Includes employment from both Knox and Sevier County locations.

*Source:* Knoxville Chamber of Commerce, TN Department of Economic & Community Development (2022), City of Sevierville Audit, the City of Gatlinburg Audit - 2022.

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## ECONOMIC DATA

### Per Capita Personal Income

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
National	\$51,550	\$53,786	\$56,250	\$59,765	\$64,143
Tennessee	\$44,879	\$46,870	\$49,343	\$52,351	\$56,560
<b>Sevierville mSA &amp; Sevier County</b>	<b>\$38,882</b>	<b>\$40,727</b>	<b>\$43,223</b>	<b>\$46,027</b>	<b>\$49,012</b>
Index vs. National	75	76	77	77	76
Index vs. State	87	87	88	88	87
<b>Knoxville-Sevierville-Harriman CSA</b>	<b>\$41,916</b>	<b>\$43,990</b>	<b>\$46,550</b>	<b>\$49,748</b>	<b>\$53,296</b>
Index vs. National	81	82	83	83	83
Index vs. State	93	94	94	95	94

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

## RECENT DEVELOPMENTS

### *Sevierville*

*Buc-ee's.* The travel center, Buc-ee's, opened in June 2023. The Texas-based company opened the world's largest convenience store on the interchange of Highway 66 and I-40. The facility is 74,000 square feet and has 120 gas pumps. The new travel center created approximately 250 new jobs.

*Sanctuary Treehouse Resort.* Sanctuary Treehouse Resort opened in the summer of 2022. While the first seven treehouses have opened, the resort's developers plan to build 130 treehouses spread across 40 acres over the next few years, making it the largest treehouse resort in the world. The treehouses will have a natural and rustic aesthetic with deluxe amenities. They will have several fun activities, such as crank and pulley systems, ropes, swings, slides, hatches, ladders, whiskey barrel sinks, porthole and speakeasy windows. Eventually, Sanctuary will have an enchanted forest, walking trails, an outdoor hot spring tub, a store and an area to host live entertainment and events.

*Wilderness at the Smokies.* Wilderness completed a \$40 million expansion and renovation in 2023. The expansion is the largest in the resort's history and includes adding 40,000 square feet to their Wild WaterDome indoor waterpark with a new water coaster and lazy river among the added amenities. A new indoor/outdoor hot tub is now open in River Lodge.

The new Switchback Mountain is a three-story water coaster featuring three steep drops, uphill blasts, high speeds and the premier of the world's first slide with Reverse AquaLucent effects. These special tubes will also allow light to filter through, adding brightness to the Wild WaterDome. Also included is the Forbidden Caverns Lazy River, featuring an immersive tunnel experience complete with LED color changing kaleidoscope lighting, mirrors and projections.

Finally, a rooftop pool with a glass edge, a restaurant, rooftop cabanas and an entertainment state area were added to the waterpark's expanded rooftop. One existing 5,000 square foot restaurant was converted into a family friendly food hall named Camp Social with a summer camp theme.

Wilderness has the state's first indoor suspended cloud coaster in its Adventure Forest arcade area. The coaster has 400 feet of linear track to give a birds-eye view of the area. Only eight other versions of it exist in the world. Adventure Forest also has an eight-person XD theater for a multi-sensory, immersive experience by combining 3D stereoscopic graphics and visual effects.

### ***Sevier County***

*KaTom Restaurant Supply, Inc.* KaTom Restaurant Supply, Inc., a supplier of restaurant, kitchen, bar and pizza equipment, invested \$7.5 million in 2022 to expand its distribution operations in Kodak. Their sales grew by 50% in 2021, which resulted in the company running out of space.

The wholesale food service and equipment supplier is expected to create approximately 120 new jobs in Sevier County over the next five years. The expansion is an additional 100,000 square feet of space to its existing warehouse fulfillment center. Founded in 1987 and headquartered in Kodak, Tennessee, KaTom is one of the nation's largest restaurant equipment suppliers with more than 130,000 items on its virtual and physical shelves that can be shipped within one day from the company's East Tennessee operations. Today, KaTom employs more than 200 at its sole facility in Kodak.

*Parker Trutec MMI, Inc.* Parker Trutec MMI, Inc. expanded its manufacturing and distribution operations in 2022 in Kodak. Parker Trutec invested \$12 million and is expected to create approximately 48 new jobs over the next five years. The expansion constructed a new 54,000-square-foot facility at the I-40 Industrial Park in Kodak. Parker Trutec's Kodak site will specialize in surface treatment and cleaning operations for the automotive industry. The company also plans to dedicate 5,000 square feet of its new facility to warehousing and distribution. Founded in 1988, the company currently employs roughly 500 people across its operations in Arkansas, Tennessee, and Ohio.

### ***Pigeon Forge***

*Dollywood Entertainment Park.* As of 2022, the Dollywood Company is in the early phases of a \$500 million investment of improvements and expansion for the theme park. Big Bear Mountain and Dollywood's HeartSong Lodge & Resort opened in 2023, but only represent about \$130 million of the \$500 million investment the park is making over the next several years.

*Source:* Knoxville News Sentinel, The Ripken Experience, The Mountain Press.

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**CITY OF GATLINBURG, TENNESSEE**  
**SUMMARY OF BONDED INDEBTEDNESS**

<b>AMOUNT ISSUED</b>	<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>As of June 30, 2023 (1)</b>
				<b>OUTSTANDING</b>
\$ 3,650,000	(3) General Obligation Bonds, Series 2016 (Sewer Supported)	June 2037	Fixed	\$ 1,850,000
6,850,000	(2) General Obligation Refunding Bonds, Series 2019A	June 2031	Fixed	5,245,000
27,385,000	(4) General Obligation Bonds, Series 2020A	June 2039	Fixed	23,490,000
4,550,000	(5) General Obligation Bonds, Series 2020B	June 2040	Fixed	3,865,000
9,685,000	(3) General Obligation Bonds, Series 2021 (Sewer Supported)	June 2051	Fixed	9,685,000
9,820,000	(3) General Obligation Bonds, Series 2022 (Sewer Supported)	Mar 2052	Fixed	9,820,000
<b>\$ 61,940,000</b>	<b>TOTAL BONDED DEBT - As of June 30, 2023</b>			<b>\$ 53,955,000</b>
<b>\$ 4,995,000</b>	(3) General Obligation Bonds, Series 2024A (W&S Supported)	June 2054	Fixed	<b>\$ 4,995,000</b>
<b>(60,085,000)</b>	Less: Revenue Supported Debt			<b>(53,705,000)</b>
<b>\$ 6,850,000</b>	<b>NET BONDED DEBT - Post Issuance</b>			<b>\$ 5,245,000</b>

**NOTES:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS located herein.

(2) These bonds are secured by the full faith and credit of the City. The City intends to make all payments from its Capital Improvement Fund.

(3) Paid for by the Water and Sewer Fund.

(4) All the bonds are secured by the full faith and credit of the City. The City intends to make these payments from one-third of its local option sales tax, one-third of its premier resort tax and one-third of its hotel/motel tax on \$19,885,000 of the bonds. See "Major Sources of Revenue" herein. Additionally, \$3,605,000 of the bonds will be paid for by the Water and Sewer Fund.

(5) These bonds are secured by the full faith and credit of the City. The City intends to make these payments from one-third of its local option sales tax, one-third of its premier resort tax and one-third of its hotel/motel tax. See "Major Sources of Revenue" herein.

**CITY OF GATLINBURG, TENNESSEE**

Indebtedness and Debt Ratios

**INTRODUCTION**

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ended June 30				After Issuance	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2023</u>
<b>INDEBTEDNESS</b>						
<b>TAX SUPPORTED</b>						
General Obligation Bonds & Notes	\$11,040,000	\$10,075,000	\$6,350,000	\$5,895,000	\$5,245,000	\$5,245,000
<b>TOTAL TAX SUPPORTED</b>	\$11,040,000	\$10,075,000	\$6,350,000	\$5,895,000	\$5,245,000	\$5,245,000
<b>REVENUE SUPPORTED</b>						
Solid Waste and Water & Sewer Convention Center	\$ 2,725,000	\$ 6,680,000	\$ 5,995,000	\$ 25,235,000	\$ 24,960,000	\$ 29,955,000
	26,115,000	24,510,000	26,565,000	25,185,000	23,750,000	23,750,000
<b>TOTAL REVENUE SUPPORTED</b>	\$28,840,000	\$31,190,000	\$32,560,000	\$50,420,000	\$48,710,000	\$53,705,000
<b>TOTAL DEBT</b>	\$39,880,000	\$41,265,000	\$38,910,000	\$56,315,000	\$53,955,000	\$58,950,000
Less: Revenue Supported Debt	-	-	-	-	-	-
Less: Debt Service Funds	(10,967,962)	(13,559,048)	(14,795,452)	(15,935,984)	(21,032,778)	(21,032,778)
<b>NET DIRECT DEBT</b>	\$28,912,038	\$27,705,952	\$24,114,548	\$40,379,016	\$32,922,222	\$37,917,222

**PROPERTY TAX BASE**

Estimated Actual Value	\$1,938,511,400	\$2,077,693,656	\$2,581,398,745	\$2,501,937,244	\$2,555,194,658	\$4,719,123,232
Appraised Value	\$1,673,323,040	\$1,793,465,164	\$1,876,935,027	\$2,501,937,244	\$2,555,194,658	\$2,530,393,877
Assessed Value	\$523,533,916	\$585,127,752	\$615,766,831	\$791,192,628	\$806,702,676	\$900,477,250

	For Fiscal Years Ended June 30					After Issuance
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
<b>DEBT RATIOS</b>						
TOTAL DEBT to Estimated Actual Value	2.06%	1.99%	1.51%	2.25%	2.11%	1.25%
TOTAL DEBT to Appraised Value	2.38%	2.30%	2.07%	2.25%	2.11%	2.33%
TOTAL DEBT to Assessed Value	7.62%	7.05%	6.32%	7.12%	6.69%	6.55%
NET DIRECT DEBT to Estimated Actual Value	1.49%	1.33%	0.93%	1.61%	1.29%	0.80%
NET DIRECT DEBT to Appraised Value	1.73%	1.54%	1.28%	1.61%	1.29%	1.50%
NET DIRECT DEBT to Assessed Value	5.52%	4.74%	3.92%	5.10%	4.08%	4.21%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	3,862	3,585	3,726	3,726	3,726	3,726
PER CAPITA PERSONAL INCOME (2)	\$43,233	\$46,027	\$49,012	\$49,012	\$49,012	\$49,012
Estimated Actual Value to POPULATION	\$501,945	\$579,552	\$692,807	\$671,481	\$685,774	\$1,266,539
Assessed Value to POPULATION	\$135,560	\$163,216	\$165,262	\$212,344	\$216,506	\$241,674
Total Debt to POPULATION	\$10,326	\$11,510	\$10,443	\$15,114	\$14,481	\$15,821
Net Direct Debt to POPULATION	\$7,486	\$7,728	\$6,472	\$10,837	\$8,836	\$10,176
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	23.89%	25.01%	21.31%	30.84%	29.55%	32.28%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	17.32%	16.79%	13.20%	22.11%	18.03%	20.76%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

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

**CITY OF GATLINBURG, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS -**  
**Capital Improvement Fund**  
As of June 30, 2023

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2024	\$ 685,000	\$ 227,850	\$ 912,850	13.06%
2025	710,000	193,600	903,600	26.60%
2026	570,000	158,100	728,100	37.46%
2027	600,000	129,600	729,600	48.90%
2028	630,000	99,600	729,600	60.92%
2029	660,000	68,100	728,100	73.50%
2030	685,000	41,700	726,700	86.56%
2031	705,000	21,150	726,150	100.00%
	<u>\$ 5,245,000</u>	<u>\$939,700</u>	<u>\$6,184,700</u>	

**NOTES:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS located herein.



**CITY OF GATLINBURG, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS -**  
Convention Center

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2024	\$ 1,295,000	\$ 836,438	\$ 2,131,438	5.45%
2025	1,350,000	771,688	2,121,688	11.14%
2026	1,410,000	704,188	2,114,188	17.07%
2027	1,460,000	633,688	2,093,688	23.22%
2028	1,530,000	560,688	2,090,688	29.66%
2029	1,595,000	484,188	2,079,188	36.38%
2030	1,665,000	409,038	2,074,038	43.39%
2031	1,735,000	330,388	2,065,388	50.69%
2032	1,750,000	293,388	2,043,388	58.06%
2033	1,785,000	254,231	2,039,231	65.58%
2034	1,820,000	212,381	2,032,381	73.24%
2035	1,860,000	167,750	2,027,750	81.07%
2036	1,895,000	120,125	2,015,125	89.05%
2037	1,925,000	71,625	1,996,625	97.16%
2038	225,000	20,250	245,250	98.11%
2039	225,000	13,500	238,500	99.05%
2040	225,000	6,750	231,750	100.00%
	<u>\$ 23,750,000</u>	<u>\$ 5,890,300</u>	<u>\$ 29,640,300</u>	

**NOTES:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS located herein.

**CITY OF GATLINBURG, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS -**  
 Water & Sewer

F.Y. Ended 6/30	Existing Debt as of June 30, 2023 Water and Sewer System (1)			General Obligation Bonds, Series 2024A			% 2024A			Total Bonded			% All Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL	Principal Repaid	Interest	TOTAL	Principal	Interest	TOTAL	
2024	\$ 380,000	\$ 753,985	\$ 1,133,985	\$ -	\$ -	\$ -	0.00%	\$ 380,000	\$ 753,985	\$ 1,133,985	1.27%		
2025	645,000	740,435	1,385,435	120,000	211,698	331,698		765,000	952,133	1,717,133			
2026	780,000	716,885	1,496,885	120,000	207,188	327,188		900,000	924,073	1,824,073			
2027	810,000	686,685	1,496,685	125,000	202,088	327,088		935,000	888,773	1,823,773			
2028	835,000	655,335	1,490,335	135,000	196,775	331,775		970,000	852,110	1,822,110			
2029	865,000	622,835	1,487,835	135,000	191,038	326,038	12.71%	1,000,000	813,873	1,813,873	16.52%		
2030	905,000	589,035	1,494,035	145,000	185,300	330,300		1,050,000	774,335	1,824,335			
2031	935,000	553,585	1,488,585	150,000	179,138	329,138		1,085,000	732,723	1,817,723			
2032	960,000	529,135	1,489,135	155,000	172,763	327,763		1,115,000	701,898	1,816,898			
2033	990,000	506,841	1,496,841	160,000	166,175	326,175		1,150,000	673,016	1,823,016			
2034	1,005,000	483,541	1,488,541	170,000	159,375	329,375	28.33%	1,175,000	642,916	1,817,916	35.14%		
2035	1,030,000	459,433	1,489,433	175,000	152,150	327,150		1,205,000	611,583	1,816,583			
2036	1,065,000	434,388	1,499,388	185,000	144,713	329,713		1,250,000	579,100	1,829,100			
2037	1,080,000	407,944	1,487,944	190,000	136,850	326,850		1,270,000	544,794	1,814,794			
2038	955,000	380,763	1,335,763	200,000	128,775	328,775		1,155,000	509,538	1,664,538			
2039	980,000	355,450	1,335,450	205,000	120,275	325,275	47.45%	1,185,000	475,725	1,660,725	55.38%		
2040	720,000	329,475	1,049,475	215,000	111,563	326,563		935,000	441,038	1,376,038			
2041	745,000	310,181	1,055,181	225,000	102,425	327,425		970,000	412,606	1,382,606			
2042	760,000	289,725	1,049,725	240,000	92,863	332,863		1,000,000	382,588	1,382,588			
2043	785,000	268,350	1,053,350	245,000	82,663	327,663		1,030,000	351,013	1,381,013			
2044	810,000	245,750	1,055,750	255,000	72,250	327,250	71.07%	1,065,000	318,000	1,383,000	72.07%		
2045	835,000	221,888	1,056,888	265,000	61,413	326,413		1,100,000	283,300	1,383,300			
2046	855,000	197,256	1,052,256	280,000	50,150	330,150		1,135,000	247,406	1,382,406			
2047	880,000	171,969	1,051,969	290,000	38,250	328,250		1,170,000	210,219	1,380,219			
2048	905,000	144,206	1,049,206	300,000	25,925	325,925		1,205,000	170,131	1,375,131			
2049	935,000	115,619	1,050,619	310,000	13,175	323,175	100.00%	1,245,000	128,794	1,373,794	91.62%		
2050	965,000	85,450	1,050,450	-	-	-		965,000	85,450	1,050,450			
2051	995,000	54,244	1,049,244	-	-	-		995,000	54,244	1,049,244			
2052	550,000	22,000	572,000	-	-	-		550,000	22,000	572,000	100.00%		
	<u>\$24,960,000</u>	<u>\$11,332,387</u>	<u>\$36,292,387</u>	<u>\$4,995,000</u>	<u>\$3,204,973</u>	<u>\$8,199,973</u>		<u>\$29,955,000</u>	<u>\$14,537,360</u>	<u>\$44,492,360</u>			

**NOTES:**

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) Estimated Interest Rates. Estimated Average Coupon 4.25%.

## FINANCIAL INFORMATION

### FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>Governmental Funds:</i>					
General	\$19,991,651	\$19,590,546	\$32,790,767	\$25,579,923	\$28,904,889
Special Tax	3,590,143	3,887,179	6,390,960	10,103,170	12,357,274
Debt Service / Convention Center	10,967,962	13,559,048	14,795,452	15,935,984	21,032,778
Tourism	1,475,210	948,225	3,634,516	2,367,782	2,092,633
Public Works					
Construction	2,105,051	3,386,583	7,649,033	21,157,808	23,694,995
Other Governmental	<u>6,326,031</u>	<u>4,573,597</u>	<u>7,379,794</u>	<u>8,429,768</u>	<u>6,664,897</u>
<b>Total</b>	<b><u>\$44,456,048</u></b>	<b><u>\$45,945,178</u></b>	<b><u>\$72,640,522</u></b>	<b><u>\$83,574,435</u></b>	<b><u>\$94,747,466</u></b>
<i>Proprietary Net Assets:</i>					
Wastewater	\$19,422,829	\$19,205,166	\$19,851,668	\$25,465,559	\$28,344,135
Water	<u>10,873,869</u>	<u>11,045,459</u>	<u>11,001,716</u>	<u>11,595,355</u>	<u>11,822,515</u>
<b>Total</b>	<b><u>\$30,296,698</u></b>	<b><u>\$30,250,625</u></b>	<b><u>\$30,853,384</u></b>	<b><u>\$37,060,914</u></b>	<b><u>\$40,166,650</u></b>

*Source:* Annual Comprehensive Financial Reports and Auditors Reports.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Revenues:</b>					
Taxes	\$ 19,010,429	\$ 18,506,830	\$ 27,345,279	\$ 30,484,888	\$ 29,768,739
Licenses, Permits, Fines	1,706,954	1,769,606	1,895,422	2,841,548	2,684,898
Intergovernmental Rev.	2,355,329	2,429,609	3,219,036	2,557,764	2,332,130
Miscellaneous Income	-	-	-	329,319	-
Use of Money and Property	1,590,992	1,398,987	1,891,833	1,830,308	3,366,547
Charges for Services	1,150,129	1,037,292	1,244,757	1,159,572	1,290,068
Fines and Costs	257,044	323,414	271,532	374,412	313,398
Contributions and Donations	-	-	-	-	-
<b>Total Revenues</b>	<u>\$ 26,070,877</u>	<u>\$ 25,465,738</u>	<u>\$ 35,867,859</u>	<u>\$ 39,577,811</u>	<u>\$ 39,755,780</u>
<b>Expenditures:</b>					
General government	\$ 5,582,701	\$ 5,689,580	\$ 5,957,678	\$ 6,229,352	\$ 8,495,667
Public Safety	6,727,191	6,739,374	6,121,477	6,976,138	9,209,560
Public Works	3,448,501	3,584,232	3,379,791	4,143,376	4,760,461
Recreation	3,009,668	3,080,284	3,127,245	3,588,086	4,589,428
Capital Outlay	510,950	1,124,573	-	-	-
Debt Service	162,200	155,550	111,595	-	-
<b>Total Expenditures</b>	<u>\$ 19,441,211</u>	<u>\$ 20,373,593</u>	<u>\$ 18,697,786</u>	<u>\$ 20,936,952</u>	<u>\$ 27,055,116</u>
Excess of Revenues Over (Under) Expenditures	\$ 6,629,666	\$ 5,092,145	\$ 17,170,073	\$ 18,640,859	\$ 12,700,664
<b>Other Financing Sources (Uses):</b>					
Transfers In	\$ 298,073	\$ -	\$ -	\$ 1,136,460	\$ -
Transfers Out	(6,086,674)	(5,493,250)	(3,256,851)	(26,988,163)	(9,375,698)
Insurance Recoveries	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
<b>Total</b>	<u>\$ (5,788,601)</u>	<u>\$ (5,493,250)</u>	<u>\$ (3,256,851)</u>	<u>\$ (25,851,703)</u>	<u>\$ (9,375,698)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 841,065	\$ (401,105)	\$ 13,913,222	\$ (7,210,844)	\$ 3,324,966
Fund Balance July 1	\$ 19,150,586	\$ 19,991,651	\$ 19,590,546	\$ 33,503,768	\$ 25,579,923
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(713,001)</u>	<u>-</u>
<b>Fund Balance June 30</b>	<u><b>\$ 19,991,651</b></u>	<u><b>\$ 19,590,546</b></u>	<u><b>\$ 33,503,768</b></u>	<u><b>\$ 25,579,923</b></u>	<u><b>\$ 28,904,889</b></u>

Source: Annual Comprehensive Financial Report for City of Gatlinburg.

## **BASIS OF ACCOUNTING AND PRESENTATION**

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

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

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

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

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

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

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

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

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

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

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

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

### ***County Taxation of Property***

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed

by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

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

### ***Assessment of Property***

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

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

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

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

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

Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

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

### ***Periodic Reappraisal and Equalization***

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

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

### ***Valuation for Property Tax Purposes***

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

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



### ***Certified Tax Rate***

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

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

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

### ***Tax Freeze for the Elderly Homeowners***

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

### ***Tax Collection and Tax Lien***

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

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the

year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

*Assessed Valuations.* According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to fair market value of 1.00. The following table shows pertinent data for tax year 2022<sup>1</sup>.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 1,764,719	55%	\$ 4,042,884
Commercial and Industrial	426,767,400	40%	1,066,918,500
Personal Tangible Property	42,673,157	30%	142,243,674
Residential and Farm	<u>335,497,400</u>	25%	<u>1,341,989,600</u>
<b>Total</b>	<b><u>\$806,702,676</u></b>		<b><u>\$2,555,194,658</u></b>

<sup>1</sup> The tax year coincides with the calendar year, therefore, tax year 2022 is actually fiscal year 2022-2023.  
*Source:* 2022 Tax Aggregate Report of Tennessee, and the City of Gatlinburg.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2023 (tax year 2022) is \$806,702,676 compared to \$791,192,628 for the fiscal year ending June 30, 2022 (tax year 2021). The estimated actual value of all taxable property for tax year 2022 is \$2,555,194,658 compared to \$2,501,937,244 for tax year 2021.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the City for tax years 2019 through 2023 as well as the aggregate uncollected balances for each fiscal year.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year <sup>2</sup>	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2023 Amount	Pct
2019	\$585,127,752	\$0.1592	\$ 929,898	\$878,338	94.5%	\$14,577	1.6%
2020	615,766,831	0.1592	978,773	953,810	97.4%	8,347	0.9%
2021	791,192,628	0.1257	991,426	968,861	97.7%	10,864	1.1%
2022	804,937,957	0.1257	1,010,838	973,919	96.3%	36,919	3.7%
2023	806,702,676	0.1257	1,130,300	<b>IN PROGRESS</b>			

<sup>2</sup> The tax year coincides with the calendar year, therefore, tax year 2022 is actually fiscal year 2022-2023.

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*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2023 (tax year 2022), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Estimated Valuation</u>	<u>% of Total Estimated Actual Valuation</u>
1. Westgate Resorts Ltd	Timeshares	\$ 88,631,440	11.01%
2. Mountain Loft Resort	Rental Property	16,934,600	2.10%
3. ILM Rentals, LP	Rental Property	14,792,465	1.84%
4. Twin Islands Land	Hotel	11,932,640	1.48%
5. Summer Bay Partnership	Timeshares	10,515,320	1.31%
6. Tree Tops Real Estate	Real Estate	10,476,765	1.30%
7. Crown Park Resort, LLC	Hotel	8,719,640	1.08%
8. Ripley's Aquarium	Attraction	7,870,120	0.98%
9. RB Hotel Park Vista, LLC	Hotel	7,206,780	0.90%
10. Cherokee Orchard LLC	Hotel	<u>5,970,040</u>	<u>0.74%</u>
<b>TOTAL</b>		<b><u>\$183,049,810</u></b>	<b><u>22.74%</u></b>

Source: City of Gatlinburg, Tennessee Department of Finance.

### MAJOR SOURCES OF REVENUE OF THE CITY

*Gross Receipts Tax.* Pursuant to separate ordinances, the City levies the Gross Receipts Tax at a rate of 1 1/4% of gross receipts of persons doing business within the corporate limits of the City. This tax was raised from 1% to 1 1/4% effective August 2, 1989. One-half of the revenues from the rate increase are dedicated to Advertising and one-half to the Capital Improvements Fund. The latter one-half and the new restaurant tax, hereafter discussed under the heading "Restaurant Tax," are set aside to service the debt payable from the Capital Improvement Fund.

Receipts from the Gross Receipts Tax were, for the fiscal years indicated, as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$14,344,299
2022	14,403,046
2021	13,242,973
2020	8,724,157
2019	8,997,145
2018	8,001,319

Source: Gatlinburg Annual Comprehensive Financial Report – Statement of Activities (page 18).

*Hotel/Motel Tax.* Pursuant to a separate ordinance, the City levies and collects a 3% tax upon the occupancy of any rooms, lodgings, or accommodations furnished to transients. One-third of the proceeds of the tax is used for direct promotion of tourism, one-third is used for tourist related activities, and one-third is deposited in the City’s General Fund. One-third of the Hotel/Motel Tax is being used to pay debt service on the Convention Center Bonds. Receipts from the Hotel/Motel Tax, for the years indicated, were as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2023	\$11,060,163
2022	11,772,260
2021	9,625,919
2020	5,817,715
2019	6,038,523
2018	5,320,808

*Source:* Gatlinburg Annual Comprehensive Financial Report – Statement of Activities (page 18).

*State Sales/Premier Resort Tax.* The State of Tennessee levies and collects a 7.0% sales and use tax statewide. The General Assembly passed an increase in this tax from 5 1/2% to 6% effective April 1, 1992 and from 6.0% to 7.0% effective July 1, 2002. This increase was permanently extended as of June 30, 1993 and is to be used in the State’s Basic Education Program. The State remits 4.5925% of the remaining 5 1/2% tax to the incorporated municipalities within the State. The portion remitted is allocated among the various municipalities on the basis of population. However, because the City has been designated as a premier type tourist resort, the amount remitted to the City is 4.5925% of the tax actually collected within the boundaries of the City rather than allocating on a population basis. In addition, to assist the City in the financing of the Convention Center, the City also receives from the sales tax an additional amount equal to the 4.5925% of collections within the City. Finally, there is an additional add-on amount received by the City from the sales tax based on a percentage of the base 4.5925% amount.

Receipts from the State Sales Tax, for the years indicated, were as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2023	\$3,285,892
2022	4,201,437
2021	5,356,299
2020	3,767,341
2019	3,818,962
2018	3,312,335

*Source:* Gatlinburg Annual Comprehensive Financial Report – General Fund Schedule and Convention Center Debt Service Fund and the City.

*Local Option Sales Tax.* Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of Tennessee Code Annotated as amended, (the "Act"), Sevier County levies a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the

same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under state law to two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%); however, the State sales tax rate was raised from five and one-half percent (5 1/2%) to six percent (6%) as of April 1, 1992 and from 6.0% to 7.0% as of July 1, 2002. With the additional one-half percent (1/2%) to the State sales tax, however, the amount of any local option sales tax was capped at two and three-fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

As of July 1, 1991, the sales tax charged within the City totaled eight percent (8%). This represented a five and one-half percent (5 1/2%) state sales tax, a two and one-quarter percent (2 1/4%) county-wide sales tax and a one-quarter percent (1/4%) city-wide sales tax. However, on August 20, 1991, the voters of the County approved an increase in the county-wide sales tax in the County to two and one-half percent (2 1/2%). In accordance with the Act, the increase in the County-wide sales tax to a level of two and one-half percent (2 1/2%) superseded the City-wide local sales tax on October 1, 1991. With the passage of the County-wide sales tax increase, City-wide taxes were eliminated at the end of FY 1992.

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

*Source:* Tennessee Department of Revenue

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

*[balance of page left blank]*

The City's share of the County-wide sales tax for the most recent five fiscal years is as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2023	\$15,021,477
2022	15,337,616
2021	13,449,807
2020	9,257,588
2019	9,641,981
2018	8,572,841

*Source:* Gatlinburg Annual Comprehensive Financial Report – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (page 48) + Conv Ctr Debt Service Fund – Local Option Tax.

The City's total tax revenue for the most recent five fiscal years is as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2023	\$54,717,783
2022	56,665,374
2021	51,939,302
2020	34,622,127
2019	35,515,877
2018	31,730,450

*Source:* Gatlinburg Annual Comprehensive Financial Report – General Fund Schedule + Amounts listed in Sales Tax Chart.

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

*Restaurant Tax.* Pursuant to a separate ordinance, the City levies and collects a 1 1/2% tax upon the sales of prepared food by restaurants and other similar food service establishments within the City. This tax became effective on August 2, 1989. This revenue and the 1/4 of 1% increase in the gross receipts tax is deposited into the Capital Improvements Fund.

Receipts from the Restaurant Tax, for the years indicated, were as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2023	\$3,630,296
2022	3,398,128
2021	3,106,532
2020	2,148,324
2019	2,242,866
2018	1,994,046

*Source:* Gatlinburg Annual Comprehensive Financial Report – Statement of Activities (page 18).

## **PENSION PLANS**

Certain employees of the City of Gatlinburg are members of the Political Subdivision Pension Plan (PSPP), an agent multiple- employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the members highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members who joined prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA), State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Gatlinburg participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their Plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

## **INSURANCE**

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

The City is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters.

\*General liability, property and public officials' errors and omissions.

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**APPENDIX C**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**OF**

**CITY OF GATLINBURG, TENNESSEE**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2023**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Gatlinburg for the fiscal year ended June 30, 2023 which is available upon request from the City.



**CITY OF GATLINBURG, TENNESSEE**

**FINANCIAL STATEMENTS  
AND OTHER INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2023**

CITY OF GATLINBURG, TENNESSEE  
FINANCIAL STATEMENTS

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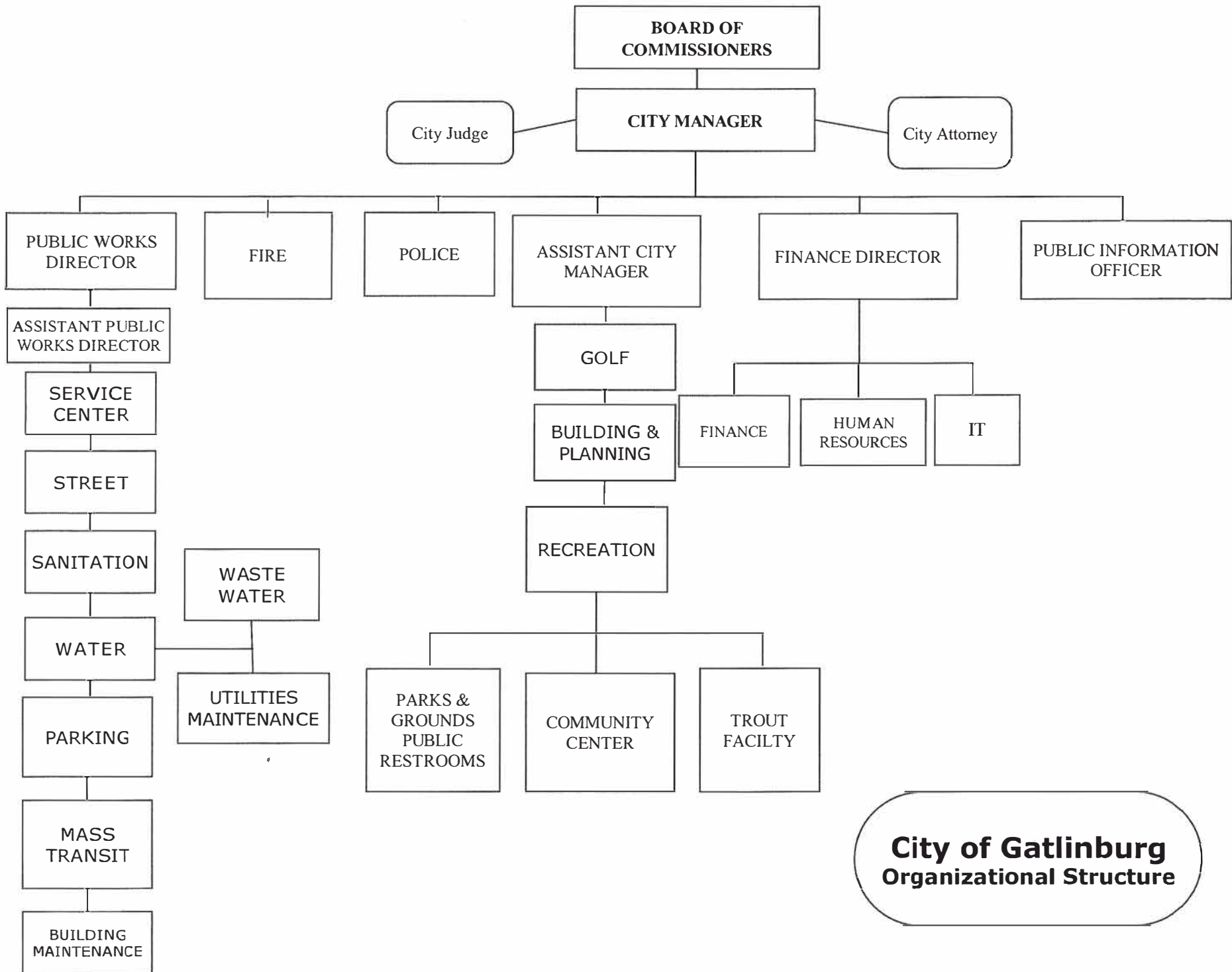
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## INTRODUCTORY SECTION





**City of Gatlinburg  
Organizational Structure**



CITY OF GATLINBURG, TENNESSEE  
OFFICIALS OF THE CITY OF GATLINBURG, TENNESSEE  
JUNE 30, 2023

**Elected Officials**

Mike Werner	Mayor
Mark McCown	Vice Mayor
Chad Reagan	Commissioner
Kirby Smith	Commissioner
Jay Horner	Commissioner

**Principal Officials**

Cindy Cameron Ogle	City Manager
Greg Patterson	Assistant City Manager
Robert L. Holt (CMFO Designee)	Finance Director
Ronald Barrett	Chief of Police
Charlie Cole	Fire Chief
Laurence Evans	Recreation Director
Jeff Ownby	City Planner
Larry Henderson	Public Works Director

**FINANCIAL SECTION**





## Independent Auditor's Report

Board of Commissioners and Senior Management  
City of Gatlinburg, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements 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 Gatlinburg, Tennessee (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, budgetary comparison information for the general fund, special tax fund, convention center debt service fund, tourism fund, parking and mass transit fund, and public works construction fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules on pages 73 through 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on page 94 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, and is also not a required part of the basic financial statements. Such information 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. The 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 supplementary schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section and the schedules in the other information section, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the City'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.

Nashville, Tennessee  
December 12, 2023

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

The management of the City of Gatlinburg, Tennessee, (the "City"), offers 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, 2023.

**Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$234,790,970 (net position). Of this amount, \$104,006,743 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's current year change in net position was an increase of \$28,210,416.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$94,747,466, an increase of \$11,173,031 in comparison with the prior year ending fund balance of \$83,574,435.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$27,207,774 or 74.7% of the total general fund expenditures and operating transfers out of \$36,430,814. Because of the very positive amount of unassigned year-end fund balance for FY22 and FY23, the City has been able to provide funding for many important Capital Projects out of the General Fund.
- The City maintained the Moody's Investor Service rating of "A1" and the S & P rating of "AA" on all the City's outstanding debt.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to 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 the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

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 (e.g., uncollected taxes and earned but unused vacation leave).

Both 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 General Government, Public Safety, Public Works, including Streets and Sanitation, Recreation, and Tourism Promotion. The business-type activities of the City include a Water Department and a Wastewater Department.

The government-wide financial statements include not only the City itself (the primary government), but also Rocky Top Sports World which is a legally separate entity for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 and 18 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. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in 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 government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds statements are provided on a modified accrual basis. The City's major funds are presented in their own columns and the remaining funds are combined with a column titled "Other Governmental Funds." Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules are provided to demonstrate compliance with this budget.



CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

The basic governmental fund financial statements, including reconciliation to the government-wide statements of net position and activities, are presented on pages 17 through 28 of this report.

**Proprietary Funds.** 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. The City uses enterprise funds to account for its Water and Wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 29 through 31 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 32 through 67 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's changes in net pension liability (asset) and contributions to pension plans. Required supplementary information can be found on pages 69 through 73 of this report.

### **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 \$234,790,970 at the close of the most recent fiscal year.

The City's net investment in capital assets of \$125,303,224 (e.g., land, buildings, machinery, and equipment, net of related debt) represents approximately 53.4% of the above-referenced net position. The City uses these capital assets to provide services to citizens, businesses, and visitors. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

**CITY OF GATLINBURG CONDENSED STATEMENT OF NET POSITION AS OF  
JUNE 30, 2023 AND 2022**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and Other Assets	\$119,025,788	\$116,597,643	\$ 20,990,540	\$ 32,701,561	\$140,016,328	\$149,299,204
Capital Assets, Net	111,613,080	99,233,030	46,858,981	33,095,226	158,472,061	132,328,256
Total Assets	<u>230,638,868</u>	<u>215,830,673</u>	<u>67,849,521</u>	<u>65,796,787</u>	<u>298,488,389</u>	<u>281,627,460</u>
Deferred Outflows of Resources	<u>3,754,931</u>	<u>4,111,222</u>	<u>320,220</u>	<u>293,575</u>	<u>4,075,151</u>	<u>4,404,797</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$234,393,799</u>	<u>\$219,941,895</u>	<u>\$ 68,169,741</u>	<u>\$ 66,090,362</u>	<u>\$302,563,540</u>	<u>\$286,032,257</u>
<b>Liabilities</b>						
Current Liabilities	\$ 5,158,518	\$ 4,851,493	\$ 2,318,408	\$ 2,310,726	\$ 7,476,926	\$ 7,162,219
Long-term Liabilities	32,303,818	34,415,180	25,677,347	26,039,082	57,981,165	60,454,262
Total Liabilities	<u>37,462,336</u>	<u>39,266,673</u>	<u>27,995,755</u>	<u>28,349,808</u>	<u>65,458,091</u>	<u>67,616,481</u>
Deferred Inflows of Resources	<u>2,307,143</u>	<u>11,155,582</u>	<u>7,336</u>	<u>679,640</u>	<u>2,314,479</u>	<u>11,835,222</u>
<b>Net Position</b>						
Net Investment in Capital Assets	96,876,659	83,536,232	28,426,565	22,167,798	125,303,224	105,704,030
Restricted	5,105,244	13,775,799	375,759	954,888	5,481,003	14,730,687
Unrestricted	92,642,417	72,207,609	11,364,326	13,938,228	104,006,743	86,145,837
Total Net Position	<u>\$194,624,320</u>	<u>\$169,519,640</u>	<u>\$ 40,166,650</u>	<u>\$ 37,060,914</u>	<u>\$234,790,970</u>	<u>\$206,580,554</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 234,393,799</u>	<u>\$ 219,941,895</u>	<u>\$ 68,169,741</u>	<u>\$ 66,090,362</u>	<u>\$ 302,563,540</u>	<u>\$ 286,032,257</u>

An additional portion of the City's net position (\$5,481,003 or 2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$104,006,743 or 44.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's change in net position was an increase of \$28,210,416 during the current fiscal year as explained below.

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

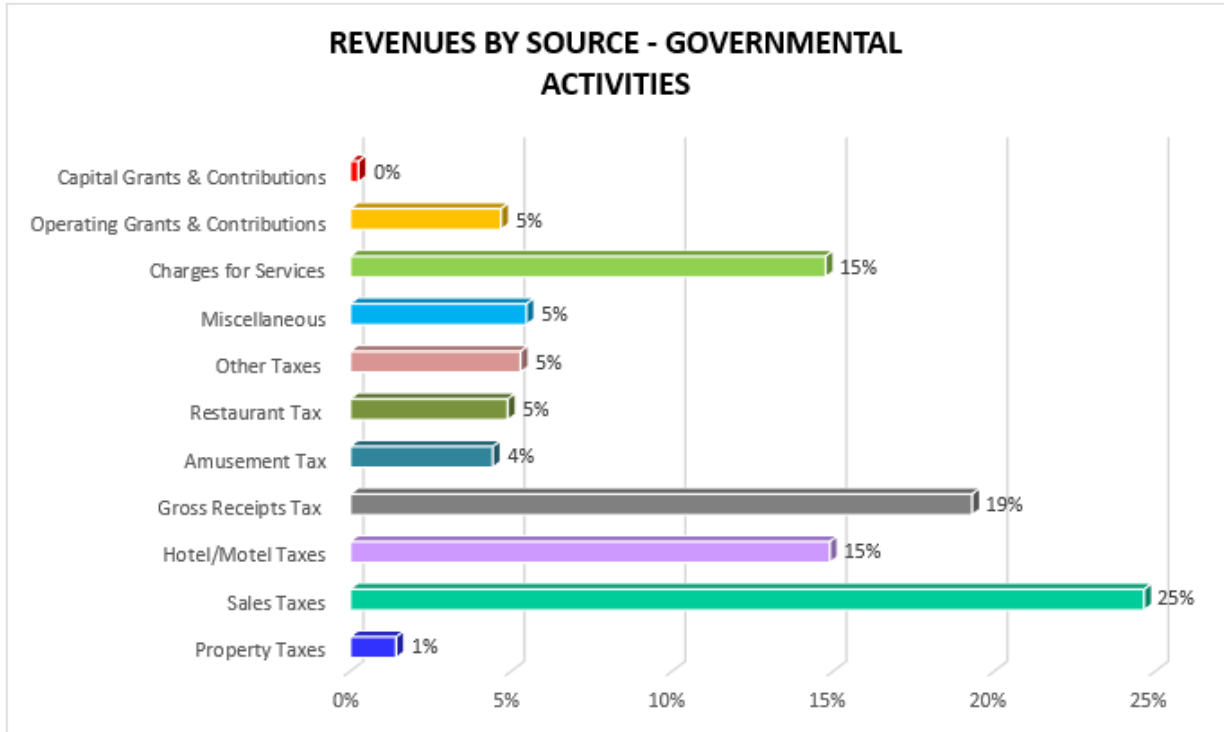
**CITY OF GATLINBURG CONDENSED CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 10,964,921	\$ 10,657,221	\$ 8,915,525	\$ 8,849,544	\$ 19,880,446	\$ 19,506,765
Operating Grants and Contributions	3,473,937	1,862,908	-	-	3,473,937	1,862,908
Capital Grants and Contributions	186,628	1,661,463	-	-	186,628	1,661,463
General Revenues:						
Property Taxes	1,056,395	1,049,468	-	-	1,056,395	1,049,468
Other Taxes	54,555,932	56,347,111	-	-	54,555,932	56,347,111
Other	4,061,260	1,243,657	813,948	90,414	4,875,208	1,334,071
<b>Total Revenues</b>	<u>74,299,073</u>	<u>72,821,828</u>	<u>9,729,473</u>	<u>8,939,958</u>	<u>84,028,546</u>	<u>81,761,786</u>
<b>Expenses</b>						
General Government	8,366,103	8,771,960	-	-	8,366,103	8,771,960
Public Safety	9,418,269	6,340,150	-	-	9,418,269	6,340,150
Public Works	6,124,559	4,696,717	-	-	6,124,559	4,696,717
Recreation	4,438,868	3,351,160	-	-	4,438,868	3,351,160
Tourism	14,523,539	14,233,676	-	-	14,523,539	14,233,676
Transportation	3,249,206	2,549,545	-	-	3,249,206	2,549,545
Education	1,011,311	765,626	-	-	1,011,311	765,626
Debt Service Interest	1,170,038	1,257,188	-	-	1,170,038	1,257,188
Wastewater	-	-	4,045,413	4,006,839	4,045,413	4,006,839
Water	-	-	3,704,824	3,225,589	3,704,824	3,225,589
<b>Total Expenses</b>	<u>48,301,893</u>	<u>41,966,022</u>	<u>7,750,237</u>	<u>7,232,428</u>	<u>56,052,130</u>	<u>49,198,450</u>
<b>Transfers</b>	<u>(892,500)</u>	<u>(4,500,000)</u>	<u>1,126,500</u>	<u>4,500,000</u>	<u>234,000</u>	<u>-</u>
<b>Change in Net Position</b>	25,104,680	26,355,806	3,105,736	6,207,530	28,210,416	32,563,336
Net Position -						
Beginning of Year	<u>169,519,640</u>	<u>143,163,834</u>	<u>37,060,914</u>	<u>30,853,384</u>	<u>206,580,554</u>	<u>174,017,218</u>
Net Position - End of Year	<u>\$194,624,320</u>	<u>\$169,519,640</u>	<u>\$ 40,166,650</u>	<u>\$ 37,060,914</u>	<u>\$234,790,970</u>	<u>\$206,580,554</u>

Components contributing to this net increase of \$28,210,416 are as follows:

- Charges for Services increased by \$373,681 (1.9%) during the year.
- Operating Grants increased by \$1,611,029 (86.4%) due primarily to an increase in Mass Transit grant revenue.
- Transfers from the General Fund to the Wastewater Fund also decreased by \$3,375,000 (from \$4,500,000 to \$1,126,500) which contributed to an overall increase in Net Position.
- Overall Expenses for the Government increased by \$6,853,680 (13.9%) primarily due to the City's implementation of market-driven adjustments to personnel costs, particularly in the Public Safety category. Though expenditures did increase, revenues were sufficient to still achieve a sizeable increase in Net Position.

CITY OF GATLINBURG, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2023



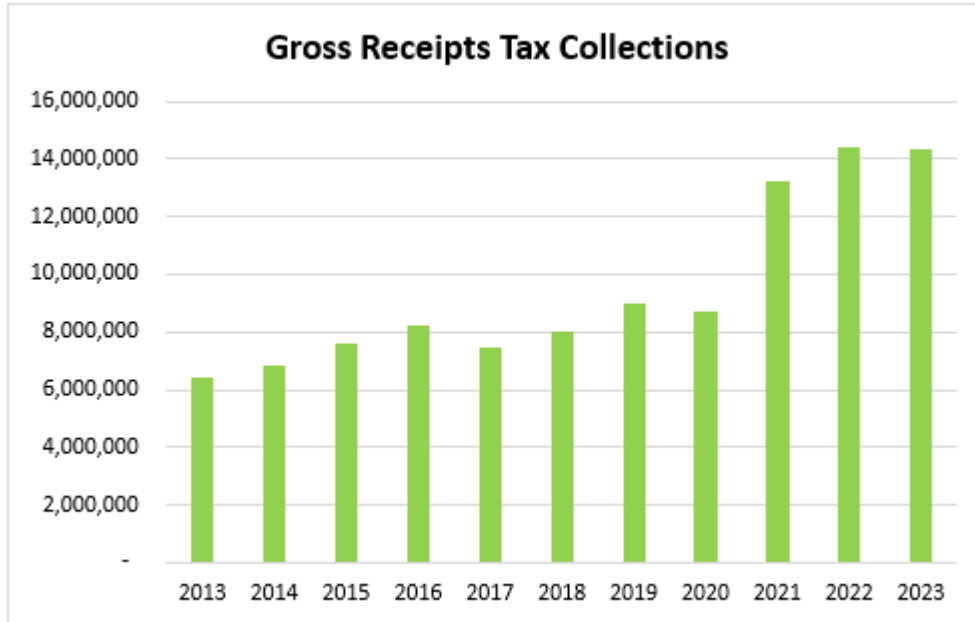
The Revenues by Source – Governmental Activities chart shows property tax revenues as a much smaller percentage of total revenues than is found in most other cities. Because the City is a premier type tourist destination, service levels are geared to provide services to a transient population which is in excess of ten (10) times the City’s permanent population. Because of this large transient population, the City derives the majority of its revenues from the users of these services through add-on taxes and the City’s Gross Receipts Tax. The Gross Receipts Tax is a tax levied on the gross income of all business in the City. These add-on taxes and the Gross Receipts Tax account for approximately 73% of the governmental activities total revenues.

Because the Gross Receipts Tax is a tax on the gross income of all businesses in the City, it is a good barometer of the economic health of the City. For the most part, the City has enjoyed steady moderate growth over the last ten years with temporary declines caused by the 2016 Wildfires along with the impact of the COVID-19 pandemic in FY2020. The last three fiscal years have shown an impressive rebound from Fiscal Year 2020 with a significant overall increase in City revenue fueled in large part by continued growth in the Amusement business sector.

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

The following chart shows the City's Gross Receipts Tax collections for the last ten years.

**Gross Receipts Tax Collections - Last Ten Years**



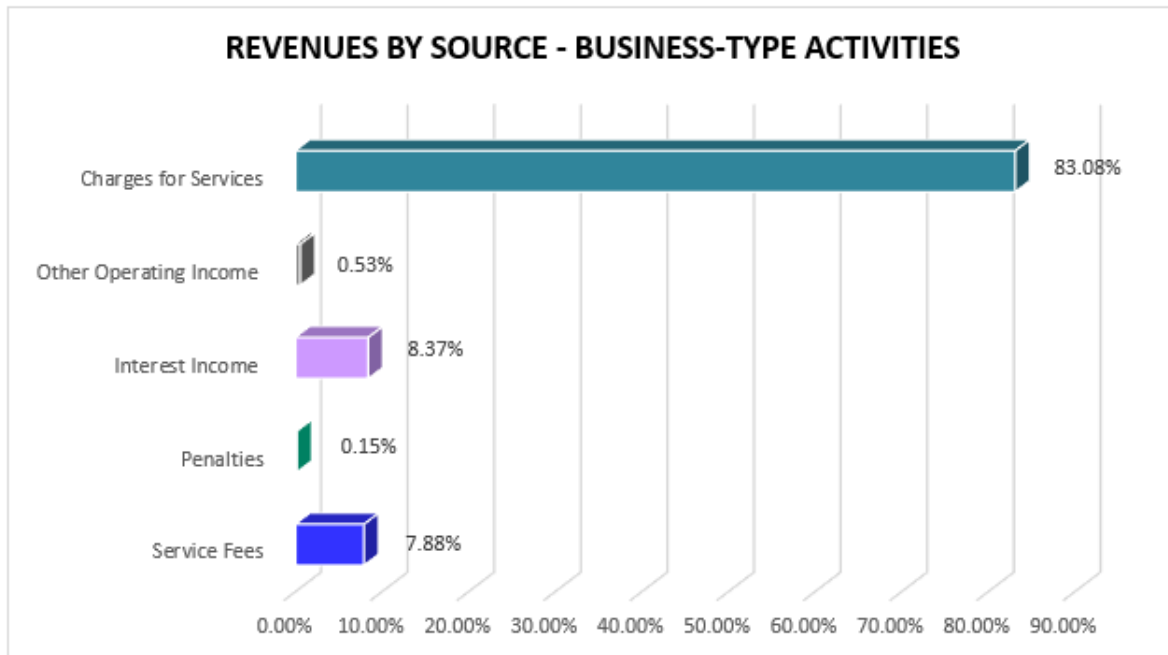
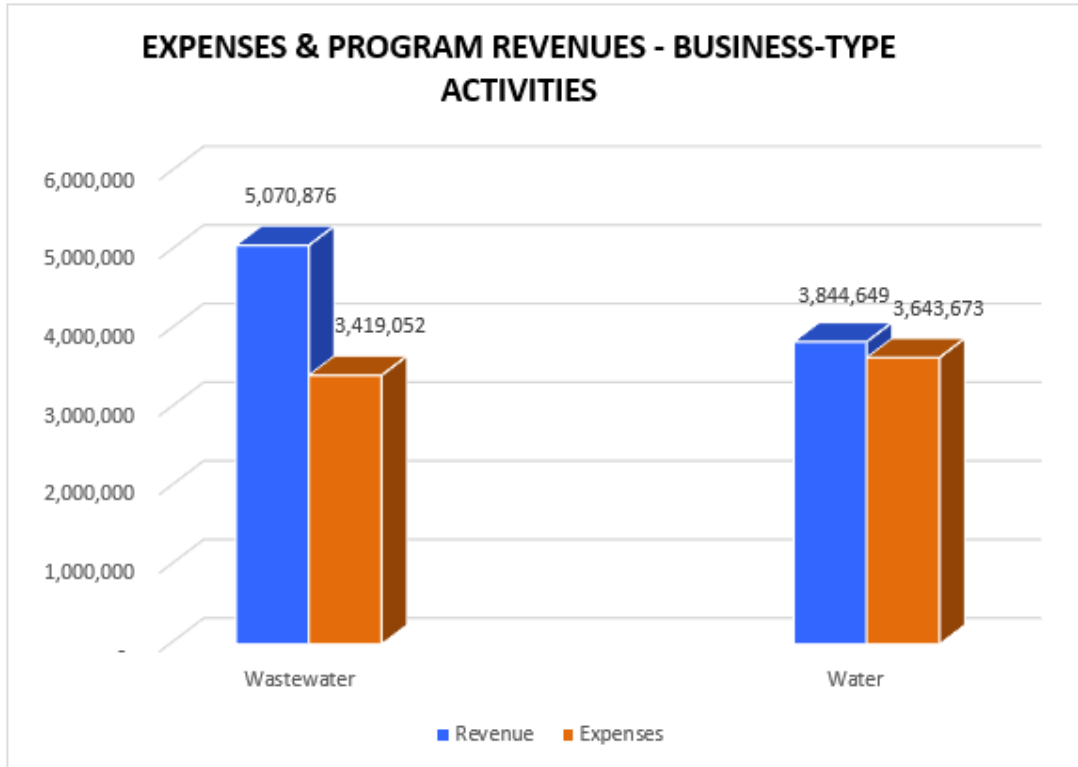
**Business-Type Activities.** Business-type activities increased the City's net position by \$3,105,736.

Key elements of this increase are as follows:

- The Water and Wastewater funds had combined operating revenue of \$8,915,525 and combined non-operating revenue of \$1,252,936. The net decrease in non-operating revenue was the result of a non-recurring transfer of \$4.5 million from the General Fund to the Sewer Fund in the prior year compared to a much smaller transfer of \$1,126,500 in the current year.
- The above items resulted in the above-noted increase in net position of \$3,105,736 for the Wastewater and Water funds combined as compared to an increase of \$6,207,530 for the previous year.

Operating Revenue increased by \$65,981, basically equal to the previous year since the 20% increase in Water and Sewer Rates that were effective July 2021 impacted the prior and current years.

CITY OF GATLINBURG, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2023



**Discretely Presented Component Unit.** Component units are legally separate organizations for which the primary government is financially accountable. The nature and significance of the component unit is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit for the City is Rocky Top Sports World. The Organization is an instrumentality of the governments of the City and Sevier County. A summary of the City's component unit operations follows:

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>
<b>Operating Revenue</b>	\$ 1,722,151	\$ 1,560,851
<b>Operating Expenses</b>	<u>3,259,983</u>	<u>2,850,783</u>
<b>Loss From Operations</b>	(1,537,832)	(1,289,932)
<b>Nonoperating Revenues</b>	<u>630,457</u>	<u>1,925,042</u>
<b>(Decrease) Increase in Net Position</b>	(907,375)	635,110
<b>Net Position - Beginning of Year</b>	<u>17,696,982</u>	<u>17,061,872</u>
<b>Net Position - End of Year</b>	<u>\$ 16,789,607</u>	<u>\$ 17,696,982</u>

Fiscal year 2023 is the ninth year of the Organization's actual operations. Operating revenues consist primarily of food services, events, sponsorships, and building and outdoor rentals. Operating expenses consist primarily of depreciation, personnel costs, occupancy, and contractual services. Depreciation expense of \$911,607 represents approximately 28.0% of operating expenses of \$3,259,983. Nonoperating revenues (expenses) consist primarily of cash contributions from the City and County governments to help in funding the operations of the sports complex.

**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 at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$94,747,466. As previously noted, approximately 28.7% of this total amount, or \$27,207,774, constitutes unassigned fund balance, which is available for spending at the government's discretion. The assigned fund balance of \$458,967 represents the portion of fund balance the City has set aside for a specific use. A small portion (0.6%) of fund balance is non-spendable in the form of inventories in the amount of \$589,893. The remaining fund balance, which is not available for new spending, is made up of \$9,963,854 restricted fund balance because it has restrictions placed upon its use and \$56,526,978 of committed fund balance to indicate that it is has been committed to the purposes of these funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$27,207,774. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund revenues. The Government Finance Officers Association recommends that general purpose governments maintain unassigned fund balances in the General Fund of no less than two to three months of regular general fund operating revenues or of regular general fund operating expenditures. The City is fortunate to carry approximately twelve months of estimated operating expenditures in its Unassigned Fund Balance.

CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

The fund balance of the City's general fund increased by \$3,324,966 during the current fiscal year compared to a decrease of \$7,210,844 in the prior fiscal year. The general fund had a net increase in revenues of \$177,969 in 2023. Though there was a significant increase in interest revenue, it was offset by a reduction in the amount of Premier Resort Tax Revenue transferred from the State. Total expenditures increased by \$6,118,164 mainly due to increases in personnel costs and capital outlay expenditures. Operating Transfers Out decreased from the prior year by \$16,476,005 due to decreases in significant transfers to the Public Works Construction Fund.

The Special Tax Fund had an increase in revenues of \$979,018 in 2023 primarily due to restaurant tax revenue and interest income. Expenditures showed a decrease of \$1,063,260 due to a decrease in the contribution to Component Unit for funding of capital projects. Transfers to other funds from this fund increased by \$3,500,384 primarily due to an increase in transfers related to Public Works Construction Projects.

The Convention Center Debt Service Fund services debt and provides additional operation and maintenance funds for the convention center as needed and provides funding for the promotion of tourism. The fund balance in this fund increased by \$5,096,794 from \$15.94 million to \$21.03 million. The local taxes category decreased by \$332,207 and there was also a decrease of \$458,378 in State-shared taxes. This reduction in State-shared taxes is a direct result of the State reducing the City's portion of post FY2000 growth in the Premiere Resort Tax from 50% to 25% of growth, which is the percentage the City is slated to receive in future years. Interest income increased by \$659,980 due to an increase in the interest rate on bank balances.

Virtually all the revenues in the Tourism/Convention Center Fund are now received the Gatlinburg Convention and Visitors Bureau (CVB). The expenditures for this fund showed a large increase as the City's tourism-related revenues grew significantly resulting in a related increase in the subsequent transfer of these dedicated tax streams to the CVB. The Fund showed a decrease of \$275,149 in fund balance as a result of the transfer of surplus revenue to the CVB. This surplus was a result of actual tourism-related revenue exceeding budget projections.

The fund balance of the public works construction fund decreased by \$3,030,056 due to significant capital projects occurring during the fiscal year.

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

Net position of the water and wastewater funds at the end of the year amounted to \$40,166,650. The total change in net position for these funds was an increase of \$593,639 for the Water Fund and an increase of \$3,105,736 for the Sewer Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of these business-type activities above.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budgeted expenditures for the general fund was an increase of \$1,189,739. This increase was primarily due to budget amendments necessary to fund costs associated with the restoration of City Hall due to water damage from an incident with the sprinkler system in November 2022.



CITY OF GATLINBURG, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023

Actual general fund revenues exceeded final budgeted revenues by \$5,737,394, primarily due to local taxes and interest income exceeded budget estimates.

Actual general fund expenditures were lower than final budgeted expenditures by \$1,816,516 or approximately 6.4% of the total expenditure budget. This variance was due to a combination of certain expenditures being encumbered but not spent by June 30, 2023 and having some personnel vacancies during the fiscal year.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to \$158,472,061 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, and park facilities. This net increase of \$26,143,805 over the prior year is due to an addition of approximately \$29.7 million in new assets noted below offset by an increase of \$3.5 million in related depreciation.

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

- \$16,018,986 was added as various building and infrastructure projects were capitalized of which over \$12 Million is related to Convention Center Additions and Renovations.
- \$2,589,302 was added to land and land improvements with the major addition being ADA renovations and other upgrades to Mynatt Park.
- \$2,268,827 in new vehicles and equipment were added, net of disposals.
- Current year resources were applied to various equipment purchases, building and system improvements in the wastewater and water funds in the amount of \$13,763,755.

Capital assets are as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land and Land Improvements	\$ 19,173,463	\$ 16,584,161	\$ 237,734	\$ 237,734	\$ 19,411,197	\$ 16,821,895
Buildings	78,583,580	62,601,737	20,461,682	20,424,539	99,045,262	83,026,276
Vehicles	16,316,301	14,924,288	-	-	16,316,301	14,924,288
Main System	-	-	31,630,386	31,514,809	31,630,386	31,514,809
Equipment	9,603,152	8,871,740	6,550,285	6,404,883	16,153,437	15,276,623
Infrastructure	51,422,778	50,547,009	-	-	51,422,778	50,547,009
Construction in Progress	7,222,294	13,858,180	19,855,702	5,415,951	27,077,996	19,274,131
Accumulated Depreciation	(70,708,488)	(68,154,085)	(31,876,808)	(30,902,690)	(102,585,296)	(99,056,775)
Total Net of Depreciation	<u>\$ 111,613,080</u>	<u>\$ 99,233,030</u>	<u>\$ 46,858,981</u>	<u>\$ 33,095,226</u>	<u>\$ 158,472,061</u>	<u>\$ 132,328,256</u>

The net decrease in construction in process of \$6,635,886 in governmental activities is primarily attributable to the completion and capitalization of major projects such as Convention Center Additions and Renovations, Mynatt Park Renovations, and other projects.

CITY OF GATLINBURG, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2023

The net increase of \$14,439,751 in the business-type activities construction in process is primarily attributable to the Wastewater Treatment Plant expansion project still being in process as of June 30, 2023. Additional information on the City's capital assets can be found in Note 6 on pages 41 through 43 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$57,819,097. The City's long-term debt as of June 30, 2023 is as follows:

Governmental Activities		Business-Type Activities		Total Primary Government	
2023	2022	2023	2022	2023	2022
\$ 32,097,673	\$ 34,416,399	\$ 25,721,424	\$ 26,031,577	\$ 57,819,097	\$ 60,447,976

The City's total debt decreased a net of \$2,628,879 (-4.3%) during the current fiscal year. There was no new debt issued in 2023.

The City maintains a debt rating of "A1" from Moody's Investor Service and "AA" from Standard & Poor's for general obligation debt, so all City debt carries an "A" or higher rating.

Additional information regarding the City's long-term debt activity during the current fiscal year can be found in Note 7 on pages 43 through 45 of this report.

**Next Year's Budget**

The fiscal year 2024 budget was prepared with major tax revenues projected to be approximately 2.5 percent less than the previous year collections. Utility revenues are budgeted to remain about the same as the prior year but increases in Water and Sewer rate of 20%, effective in January 2024, should produce surplus revenue for this fund in FY 2024. The 2024 fiscal year general fund budget has been approved with the projected use of approximately \$2.68 Million of fund balance to implement an animal-resistant refuse container program. It should be noted that the first quarter of fiscal year 2024 has been more positive than projected with combined major tax streams running slightly ahead of the prior year instead of the projected 2.5% budgeted decrease. The City's required contribution rate to the Tennessee Consolidated Retirement System ("TCRS") remained at 5.6% which is much lower than the highest rate of almost 17% a few years ago.

For the 2024 Budget, the City was able to allocate approximately \$7.8 million to various capital projects funded from the General and Special Revenue/CIP Funds. The budget does still contain the planned continuance of expenditures related to the Vehicle Replacement Program with funding of \$1,753,000 in the upcoming budget.

**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 financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Gatlinburg, Office of the Finance Director, P.O. Box 5, Gatlinburg, Tennessee 37738.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Rocky Top Sports World
<b>ASSETS:</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 64,933,157	\$ 7,574,409	\$ 72,507,566	\$ 1,612,402
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$56,167	1,319,147	776,948	2,096,095	112,779
Property Taxes Receivable, Net of Allowance for Doubtful Accounts of \$101,608	1,115,358	-	1,115,358	-
Other Tax and Nonexchange Revenue Receivable	4,375,503	-	4,375,503	-
Sponsorships Receivable, Current Portion	-	-	-	18,125
Due From Other Governments	3,175,805	-	3,175,805	-
Due From Component Unit	234,000	-	234,000	-
Internal Balances	(1,088,232)	1,088,232	-	-
Inventories	589,893	323,020	912,913	56,755
TCRS Stabilization Trust	497,073	44,637	541,710	-
Prepaid Expenses and Other Assets	-	-	-	40,127
<b>Total Current Assets</b>	<b>75,151,704</b>	<b>9,807,246</b>	<b>84,958,950</b>	<b>1,840,188</b>
<b>NONCURRENT ASSETS</b>				
Investments in Joint Ventures	-	3,563,164	3,563,164	-
Investment in Component Unit	16,141,392	-	16,141,392	-
Cash Restricted or Held for Long-Term Purposes	24,042,049	7,289,008	31,331,057	-
Sponsorships Receivable	-	-	-	20,000
Net Pension Asset	3,690,643	331,122	4,021,765	-
Capital Assets:				
Nondepreciable	19,634,069	20,093,436	39,727,505	2,399,256
Depreciable, Net of Accumulated Depreciation	91,979,011	26,765,545	118,744,556	12,931,978
Total Capital Assets, Net of Depreciation	111,613,080	46,858,981	158,472,061	15,331,234
<b>Total Noncurrent Assets</b>	<b>155,487,164</b>	<b>58,042,275</b>	<b>213,529,439</b>	<b>15,351,234</b>
<b>Total Assets</b>	<b>230,638,868</b>	<b>67,849,521</b>	<b>298,488,389</b>	<b>17,191,422</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Outflows	3,530,624	316,764	3,847,388	-
Deferred OPEB Outflows	38,489	3,456	41,945	-
Deferred Amounts on Refundings	185,818	-	185,818	-
<b>Total Deferred Outflows of Resources</b>	<b>3,754,931</b>	<b>320,220</b>	<b>4,075,151</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 234,393,799</b>	<b>\$ 68,169,741</b>	<b>\$ 302,563,540</b>	<b>\$ 17,191,422</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 2,023,541	\$ 1,044,321	\$ 3,067,862	\$ 59,974
Accrued Liabilities	197,299	70,834	268,133	97,983
Accrued Interest Payable	107,678	93,365	201,043	-
Customer Deposits	-	669,888	669,888	-
Due To Primary Government	-	-	-	234,000
Unearned Revenue	-	-	-	9,858
Compensated Absences	850,000	60,000	910,000	-
Current Portion of Long Term	1,980,000	380,000	2,360,000	-
<b>Total Current Liabilities</b>	<b>5,158,518</b>	<b>2,318,408</b>	<b>7,476,926</b>	<b>401,815</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated Absences Payable	1,117,199	239,932	1,357,131	-
Long-Term Debt	30,117,673	25,341,424	55,459,097	-
Accrued Post-Retirement Plan (OPEB) Liability	1,068,946	95,991	1,164,937	-
<b>Total Noncurrent Liabilities</b>	<b>32,303,818</b>	<b>25,677,347</b>	<b>57,981,165</b>	<b>-</b>
<b>Total Liabilities</b>	<b>37,462,336</b>	<b>27,995,755</b>	<b>65,458,091</b>	<b>401,815</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Current Property Taxes	1,052,755	-	1,052,755	-
Deferred Sales Tax	1,172,692	-	1,172,692	-
Deferred Pension Inflows	20,581	1,847	22,428	-
Deferred OPEB Inflows	61,115	5,489	66,604	-
<b>Total Deferred Inflows of Resources</b>	<b>2,307,143</b>	<b>7,336</b>	<b>2,314,479</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	96,876,659	28,426,565	125,303,224	15,331,234
Restricted:				
Minority Participants' Interest in Joint Venture	-	-	-	1,458,373
Net Pension Asset	3,690,643	331,122	4,021,765	-
TCRS Stabilization Trust	497,073	44,637	541,710	-
Cash Restricted for Long-Term Purposes	917,528	-	917,528	-
Unrestricted	92,642,417	11,364,326	104,006,743	-
<b>Total Net Position</b>	<b>194,624,320</b>	<b>40,166,650</b>	<b>234,790,970</b>	<b>16,789,607</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 234,393,799</b>	<b>\$ 68,169,741</b>	<b>\$ 302,563,540</b>	<b>\$ 17,191,422</b>

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

**CITY OF GATLINBURG, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Activities	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Rocky Top Sports World
<b>Governmental</b>								
General Government	\$ 8,366,103	\$ 3,341,454	\$ 1,350,816	\$ -	\$ (3,673,833)	\$ -	\$ (3,673,833)	\$ -
Public Safety	9,418,269	1,249,005	193,993	-	(7,975,271)	-	(7,975,271)	-
Public Works	6,124,559	900	322,675	186,628	(5,614,356)	-	(5,614,356)	-
Recreation	4,438,868	2,326,134	-	-	(2,112,734)	-	(2,112,734)	-
Tourism Promotion	14,523,539	2,736	-	-	(14,520,803)	-	(14,520,803)	-
Transportation	3,249,206	4,044,692	1,606,453	-	2,401,939	-	2,401,939	-
Education	1,011,311	-	-	-	(1,011,311)	-	(1,011,311)	-
Debt Service	1,170,038	-	-	-	(1,170,038)	-	(1,170,038)	-
<b>Total Governmental Activities</b>	<b>48,301,893</b>	<b>10,964,921</b>	<b>3,473,937</b>	<b>186,628</b>	<b>(33,676,407)</b>	<b>-</b>	<b>(33,676,407)</b>	<b>-</b>
<b>Business-Type</b>								
Wastewater	4,045,413	5,070,876	-	-	-	1,025,463	1,025,463	-
Water	3,704,824	3,844,649	-	-	-	139,825	139,825	-
<b>Total Business-Type Activities</b>	<b>7,750,237</b>	<b>8,915,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,165,288</b>	<b>1,165,288</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 56,052,130</b>	<b>\$ 19,880,446</b>	<b>\$ 3,473,937</b>	<b>\$ 186,628</b>	<b>(33,676,407)</b>	<b>1,165,288</b>	<b>(32,511,119)</b>	<b>-</b>
<b>Component Unit</b>	<b>\$ 3,259,983</b>	<b>\$ 1,722,151</b>	<b>\$ 864,457</b>	<b>\$ -</b>				<b>(673,375)</b>
<b>General Revenues</b>								
Taxes:								
Property Taxes					1,056,395	-	1,056,395	-
Sales Taxes					18,311,960	-	18,311,960	-
Hotel/Motel Tax					11,060,163	-	11,060,163	-
Gross Receipts Tax					14,344,299	-	14,344,299	-
Amusement Tax					3,284,107	-	3,284,107	-
Restaurant Tax					3,630,296	-	3,630,296	-
Business Tax					1,130,270	-	1,130,270	-
Franchise and Income Taxes					502,988	-	502,988	-
Wholesale Beer, Liquor Licenses, Beer Permits, State Beer and State Mixed Drink Taxes					2,291,849	-	2,291,849	-
Interest Income					3,462,247	813,948	4,276,195	-
Miscellaneous					599,013	-	599,013	-
Transfers					(892,500)	1,126,500	234,000	(234,000)
<b>Total General Revenues and Transfers</b>					<b>58,781,087</b>	<b>1,940,448</b>	<b>60,721,535</b>	<b>(234,000)</b>
<b>Change in Net Position</b>					<b>25,104,680</b>	<b>3,105,736</b>	<b>28,210,416</b>	<b>(907,375)</b>
<b>Net Position, Beginning of Year</b>					<b>169,519,640</b>	<b>37,060,914</b>	<b>206,580,554</b>	<b>17,696,982</b>
<b>Net Position, End of Year</b>					<b>\$ 194,624,320</b>	<b>\$ 40,166,650</b>	<b>\$ 234,790,970</b>	<b>\$ 16,789,607</b>

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

**CITY OF GATLINBURG, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Tourism Fund	Parking & Mass Transit Fund	Public Works Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>								
Cash and Cash Equivalents	\$ 25,639,278	\$ 11,366,407	\$ 20,238,334	\$ 2,185,494	\$ 5,043,116	\$ -	\$ 460,528	\$ 64,933,157
Accounts Receivable, Net	1,319,147	-	-	-	-	-	-	1,319,147
Property Taxes Receivable, Net	1,115,358	-	-	-	-	-	-	1,115,358
Other Tax and Nonexchange Revenue Receivable	2,148,169	1,022,950	726,743	-	-	-	477,641	4,375,503
Due From Other Governments	1,037,407	-	437,354	-	525,054	-	1,175,990	3,175,805
Due from Component Unit	-	-	-	-	-	234,000	-	234,000
Due From Other Funds	-	-	-	-	-	-	38,268	38,268
Inventories	589,893	-	-	-	-	-	-	589,893
TCRS Stabilization Trust	459,911	-	-	4,280	32,882	-	-	497,073
Cash Restricted or Held for Long-Term Purposes	101,767	-	-	-	-	19,042,468	4,897,814	24,042,049
<b>TOTAL ASSETS</b>	<b>\$ 32,410,930</b>	<b>\$ 12,389,357</b>	<b>\$ 21,402,431</b>	<b>\$ 2,189,774</b>	<b>\$ 5,601,052</b>	<b>\$ 19,276,468</b>	<b>\$ 7,050,241</b>	<b>\$ 100,320,253</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 457,866	\$ 32,083	\$ -	\$ 97,141	\$ 22,941	\$ 1,148,716	\$ 264,794	\$ 2,023,541
Accrued Liabilities	186,431	-	-	-	10,868	-	-	197,299
Due To Other Funds	1,126,500	-	-	-	-	-	-	1,126,500
<b>Total Liabilities</b>	<b>1,770,797</b>	<b>32,083</b>	<b>-</b>	<b>97,141</b>	<b>33,809</b>	<b>1,148,716</b>	<b>264,794</b>	<b>3,347,340</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,735,244</b>	<b>-</b>	<b>369,653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,550</b>	<b>2,225,447</b>
<b>FUND BALANCES</b>								
Nonspendable:								
Inventory	589,893	-	-	-	-	-	-	589,893
Restricted:								
TCRS Stabilization Trust	459,911	-	-	4,280	32,882	-	-	497,073
Special Revenue Funds	-	-	-	-	5,534,361	-	2,643,347	8,177,708
Capital Projects Funds	-	-	-	-	-	-	1,289,073	1,289,073
Unrestricted:								
Committed	647,311	12,357,274	21,032,778	2,088,353	-	18,127,752	2,273,510	56,526,978
Assigned	-	-	-	-	-	-	458,967	458,967
Unassigned	27,207,774	-	-	-	-	-	-	27,207,774
<b>Total Fund Balances</b>	<b>28,904,889</b>	<b>12,357,274</b>	<b>21,032,778</b>	<b>2,092,633</b>	<b>5,567,243</b>	<b>18,127,752</b>	<b>6,664,897</b>	<b>94,747,466</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 32,410,930</b>	<b>\$ 12,389,357</b>	<b>\$ 21,402,431</b>	<b>\$ 2,189,774</b>	<b>\$ 5,601,052</b>	<b>\$ 19,276,468</b>	<b>\$ 7,050,241</b>	<b>\$ 100,320,253</b>

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

**CITY OF GATLINBURG, TENNESSEE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total Fund Balances for Governmental Funds	\$ 94,747,466
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	111,613,080
Other assets, consisting of investment in component unit, which are not available to fund current period expenditures and, therefore, are not reported as assets in the fund financial statements.	16,141,392
Net pension asset and deferred pension outflow, net of deferred pension inflow, which do not represent current period sources or uses and, therefore, are not reported in the fund financial statements.	7,200,686
Net accrued post-retirement plan (OPEB) liability and deferred OPEB outflow, net of deferred OPEB inflow, which do not represent current period sources or uses and, therefore, are not reported in the fund financial statements.	(1,091,572)
Some liabilities, including long-term debt, unamortized bond premiums, accrued interest on long-term debt, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(34,172,550)
Deferred outflows of unamortized amounts on bond refundings increase the amount of net position reported in the statement of net position, and are not reported as assets in the funds.	185,818
Net Position of Governmental Activities	<u>\$ 194,624,320</u>

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

**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Tourism Fund	Parking & Mass Transit Fund	Public Works Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Local Taxes	\$ 29,768,739	\$ 9,783,267	\$ 8,193,164	\$ -	\$ -	\$ -	\$ 3,686,721	\$ 51,431,891
Licenses and Permits	2,684,898	-	-	-	-	-	-	2,684,898
Intergovernmental	2,332,130	-	1,441,798	-	1,606,453	-	2,768,122	8,148,503
Miscellaneous Income	-	-	-	-	-	-	254,008	254,008
Use of Money and Property	3,366,547	1,296,902	755,838	53,342	189,666	-	121,894	5,784,189
Charges for Services	1,290,068	-	-	2,736	4,034,732	-	-	5,327,536
Fines, Forfeitures and Penalties	313,398	-	-	-	-	-	91,397	404,795
Contributions and Donations	-	186,628	-	-	-	76,625	-	263,253
<b>Total Revenues</b>	<u>39,755,780</u>	<u>11,266,797</u>	<u>10,390,800</u>	<u>56,078</u>	<u>5,830,851</u>	<u>76,625</u>	<u>6,922,142</u>	<u>74,299,073</u>
<b>EXPENDITURES</b>								
General Government	8,495,667	-	-	-	-	-	30,000	8,525,667
Public Safety	9,209,560	-	-	-	-	-	11,841	9,221,401
Public Works	4,760,461	-	-	-	-	-	163,918	4,924,379
Recreation	4,589,428	-	-	-	-	-	-	4,589,428
Tourism Promotion	-	-	-	12,353,193	-	-	-	12,353,193
Parking / Mass Transit	-	-	-	-	2,860,372	-	-	2,860,372
Education	-	-	-	-	-	-	1,011,311	1,011,311
Capital Outlay	-	87,417	-	359,868	-	11,042,761	3,525,897	15,015,943
Capital Contributions to Component Unit	-	476,810	-	-	-	-	-	476,810
Debt Service:								
Principal	-	650,000	1,435,000	-	-	-	-	2,085,000
Interest	-	260,350	908,188	-	-	-	-	1,168,538
Paying Agent Fees	-	500	1,000	-	-	-	-	1,500
<b>Total Expenditures</b>	<u>27,055,116</u>	<u>1,475,077</u>	<u>2,344,188</u>	<u>12,713,061</u>	<u>2,860,372</u>	<u>11,042,761</u>	<u>4,742,967</u>	<u>62,233,542</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>12,700,664</u>	<u>9,791,720</u>	<u>8,046,612</u>	<u>(12,656,983)</u>	<u>2,970,479</u>	<u>(10,966,136)</u>	<u>2,179,175</u>	<u>12,065,531</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating Transfers In	-	-	-	12,381,834	-	7,936,080	3,000,000	23,317,914
Operating Transfers Out	(9,375,698)	(7,537,616)	(2,949,818)	-	(10,000)	-	(4,337,282)	(24,210,414)
<b>Net Other Financing Sources (Uses)</b>	<u>(9,375,698)</u>	<u>(7,537,616)</u>	<u>(2,949,818)</u>	<u>12,381,834</u>	<u>(10,000)</u>	<u>7,936,080</u>	<u>(1,337,282)</u>	<u>(892,500)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>3,324,966</u>	<u>2,254,104</u>	<u>5,096,794</u>	<u>(275,149)</u>	<u>2,960,479</u>	<u>(3,030,056)</u>	<u>841,893</u>	<u>11,173,031</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>25,579,923</u>	<u>10,103,170</u>	<u>15,935,984</u>	<u>2,367,782</u>	<u>2,606,764</u>	<u>21,157,808</u>	<u>5,823,004</u>	<u>83,574,435</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 28,904,889</u>	<u>\$ 12,357,274</u>	<u>\$ 21,032,778</u>	<u>\$ 2,092,633</u>	<u>\$ 5,567,243</u>	<u>\$ 18,127,752</u>	<u>\$ 6,664,897</u>	<u>\$ 94,747,466</u>

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



**CITY OF GATLINBURG, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 11,173,031
 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 capital outlay exceeds depreciation and loss on disposals in the current year.	12,380,050
 The issuance of long-term debt (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Governmental funds also report interest expense in the period it is paid. However, in the statement of activities, interest expense is recorded on the accrual basis of accounting in the period to which the interest relates. Also, governmental funds report the effect of premiums, discounts, refunding losses and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	2,310,185
 Expense from net pension assets is recognized in the statement of activities but does not represent a current use of resources. Current year pension contributions of are expenditures in the governmental funds but recognized as deferred outflows of resources in the statement of net position.	(29,560)
 Expense from net other post retirement employment benefits (OPEB) is recognized in the statement of activities but does not represent a current use of resources. Current year OPEB benefit payments are expenditures in the governmental funds but recognized as deferred inflows of resources in the statement of net position.	20,576
 Contributions of \$476,810 made to the component unit are expenditures in the governmental fund financial statements. However, in the statement of net position these cash contributions increase the Investment in Component Unit. The City's allocated portion of the Component Unit's decrease in net position before capital contributions for 2023 of \$1,020,160, is included in Tourism Promotion expenses in the statement of activities and is a reduction of Investment in Component Unit on the statement of net position. However, it does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(543,350)
 The current year increase in the liability for compensated absences does not require the use of current financial resources and therefore is not reported in the governmental funds.	(206,252)
Change in Net Position of Governmental Activities	<u>\$ 25,104,680</u>

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

**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local Taxes:				
Current Year Property Taxes	\$ 985,998	\$ 985,998	\$ 970,875	\$ (15,123)
Prior Year Property Taxes	22,588	22,588	22,584	(4)
Local Option Sales Tax	9,120,199	9,120,199	10,515,034	1,394,835
Wholesale Beer Tax	843,733	843,733	788,772	(54,961)
Liquor Inspection Fee	2,294,387	2,294,387	2,085,844	(208,543)
Gross Receipts Tax	9,773,915	9,773,915	11,475,435	1,701,520
1/3 Hotel/Motel Tax	3,327,646	3,327,646	3,686,721	359,075
Other Local Taxes	155,540	155,540	223,474	67,934
Licenses and Permits	2,221,597	2,221,597	2,684,898	463,301
Intergovernmental:				
State Sales Tax	1,710,269	1,710,269	1,844,094	133,825
Other Intergovernmental	237,400	237,400	488,036	250,636
Use of Money and Property	2,186,614	2,186,614	3,366,547	1,179,933
Charges for Service	813,500	813,500	1,290,068	476,568
Fines, Forfeitures and Penalties	325,000	325,000	313,398	(11,602)
<b>Total Revenues</b>	<b>34,018,386</b>	<b>34,018,386</b>	<b>39,755,780</b>	<b>5,737,394</b>
<b>Expenditures</b>				
<b>General government:</b>				
<b>City Manager:</b>				
Personnel Costs	715,682	715,887	702,801	13,086
Supplies	5,000	5,150	5,149	1
General Services	39,000	38,645	34,691	3,954
Contingency	50,450	50,450	46,228	4,222
<b>Total City Manager</b>	<b>810,132</b>	<b>810,132</b>	<b>788,869</b>	<b>21,263</b>
<b>City Attorney:</b>				
Personnel Costs	130,000	130,000	95,727	34,273
General Services	4,750	4,750	525	4,225
<b>Total City Attorney</b>	<b>134,750</b>	<b>134,750</b>	<b>96,252</b>	<b>38,498</b>
<b>Finance:</b>				
Personnel Costs	824,883	824,883	808,936	15,947
Supplies	22,500	22,500	21,165	1,335
Maintenance	7,150	7,150	4,717	2,433
General Services	222,808	248,308	239,592	8,716
<b>Total Finance</b>	<b>1,077,341</b>	<b>1,102,841</b>	<b>1,074,410</b>	<b>28,431</b>
<b>Nondepartmental:</b>				
Personnel Costs	2,771,540	2,696,540	2,590,337	106,203
Maintenance	171,902	1,054,474	883,078	171,396
General Services	995,855	1,065,855	1,234,186	(168,331)
Contingency	5,000	5,000	2,472	2,528
Capital Outlay	400,000	400,000	400,000	-
<b>Total Nondepartmental</b>	<b>4,344,297</b>	<b>5,221,869</b>	<b>5,110,073</b>	<b>111,796</b>
<b>Building and Planning:</b>				
Personnel Costs	651,180	635,180	498,031	137,149
Supplies	7,000	7,000	6,789	211
General Services	73,148	89,148	85,378	3,770
Contingency	7,080	7,080	4,626	2,454
<b>Total Building and Planning</b>	<b>738,408</b>	<b>738,408</b>	<b>594,824</b>	<b>143,584</b>
<b>Legislative:</b>				
Personnel Costs	36,400	36,400	35,931	469
Supplies	2,000	2,000	1,108	892
General Services	334,539	353,706	325,701	28,005
Contingency	481,142	481,142	468,499	12,643
<b>Total Legislative</b>	<b>854,081</b>	<b>873,248</b>	<b>831,239</b>	<b>42,009</b>
<b>Total General Government</b>	<b>7,959,009</b>	<b>8,881,248</b>	<b>8,495,667</b>	<b>385,581</b>

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

**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Public Safety:</b>				
<b>Police:</b>				
Personnel Costs	4,082,617	4,012,617	3,707,958	304,659
Supplies	338,444	338,444	198,073	140,371
Maintenance	106,915	140,915	108,520	32,395
General Services	241,032	314,032	252,607	61,425
Capital Outlay	273,420	273,420	225,899	47,521
<b>Total Police</b>	<b>5,043,428</b>	<b>5,080,428</b>	<b>4,493,057</b>	<b>587,371</b>
<b>Jail Operations:</b>				
Personnel Costs	450,500	450,500	462,655	(12,155)
Supplies	6,000	6,000	1,485	4,515
General Services	3,800	3,800	80	3,720
<b>Total Jail Operations</b>	<b>460,300</b>	<b>460,300</b>	<b>464,220</b>	<b>(3,920)</b>
<b>Fire / Rescue:</b>				
Personnel Costs	3,640,500	3,682,000	3,703,002	(21,002)
Supplies	193,942	153,842	140,060	13,782
Maintenance	60,500	137,000	127,503	9,497
General Services	216,804	216,804	226,203	(9,399)
Capital Outlay	42,000	45,600	55,515	(9,915)
<b>Total Fire / Rescue</b>	<b>4,153,746</b>	<b>4,235,246</b>	<b>4,252,283</b>	<b>(17,037)</b>
<b>Total Public Safety</b>	<b>9,657,474</b>	<b>9,775,974</b>	<b>9,209,560</b>	<b>566,414</b>
<b>Public Works:</b>				
<b>Service Center:</b>				
Personnel Costs	387,600	387,600	356,478	31,122
Supplies	67,200	67,200	42,564	24,636
Maintenance	261,427	261,427	195,895	65,532
General Services	51,024	51,024	41,955	9,069
<b>Total Service Center</b>	<b>767,251</b>	<b>767,251</b>	<b>636,892</b>	<b>130,359</b>
<b>Building Maintenance:</b>				
Personnel Costs	289,300	289,300	278,091	11,209
Supplies	26,050	26,050	15,774	10,276
Maintenance	20,150	20,150	20,276	(126)
General Services	29,010	29,010	25,276	3,734
<b>Total Building Maintenance</b>	<b>364,510</b>	<b>364,510</b>	<b>339,417</b>	<b>25,093</b>
<b>Street:</b>				
Personnel Costs	910,564	890,564	838,282	52,282
Supplies	203,500	199,500	104,473	95,027
Maintenance	246,500	266,500	198,503	67,997
General Services	17,743	21,743	17,824	3,919
Contingency	500	500	745	(245)
Capital Outlay	200,404	200,404	136,954	63,450
<b>Total Street</b>	<b>1,579,211</b>	<b>1,579,211</b>	<b>1,296,781</b>	<b>282,430</b>
<b>Sanitation:</b>				
Personnel Costs	1,584,579	1,546,479	1,468,363	78,116
Supplies	277,951	150,051	147,815	2,236
Maintenance	120,950	286,950	282,786	4,164
General Services	652,709	652,709	584,087	68,622
Contingency	1,253	1,253	859	394
Capital Outlay	8,267	8,267	3,461	4,806
<b>Total Sanitation</b>	<b>2,645,709</b>	<b>2,645,709</b>	<b>2,487,371</b>	<b>158,338</b>
<b>Total Public Works</b>	<b>5,356,681</b>	<b>5,356,681</b>	<b>4,760,461</b>	<b>596,220</b>

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

**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF GENERAL FUND BUDGETARY COMPARISON - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Recreation:</b>				
<b>Golf:</b>				
Personnel Costs	790,000	826,850	829,986	(3,136)
Supplies	197,660	222,160	215,193	6,967
Maintenance	333,448	324,098	317,856	6,242
General Services	207,500	216,500	200,490	16,010
Capital Outlay	415,789	413,789	366,128	47,661
<b>Total Golf</b>	<u>1,944,397</u>	<u>2,003,397</u>	<u>1,929,653</u>	<u>73,744</u>
<b>Recreation:</b>				
Personnel Costs	1,653,288	1,653,288	1,605,104	48,184
Supplies	314,865	324,865	260,982	63,883
Maintenance	185,703	281,703	257,223	24,480
General Services	390,344	401,344	372,459	28,885
Contingency	27,000	27,000	22,320	4,680
Capital Outlay	193,134	166,134	141,687	24,447
<b>Total Recreation</b>	<u>2,764,333</u>	<u>2,854,333</u>	<u>2,659,775</u>	<u>194,558</u>
<b>Total Recreation and Golf</b>	<u>4,708,730</u>	<u>4,857,730</u>	<u>4,589,428</u>	<u>268,302</u>
<b>Total Expenditures</b>	<u>27,681,893</u>	<u>28,871,632</u>	<u>27,055,116</u>	<u>1,816,516</u>
<b>Excess of Revenues Over Expenses</b>	<u>6,336,493</u>	<u>5,146,754</u>	<u>12,700,664</u>	<u>3,920,878</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds				
To Street Aid Fund	(468,000)	(468,000)	(468,000)	-
To Vehicle Replacement Fund	(1,325,000)	(1,263,500)	(1,456,000)	(192,500)
To Department of Tourism	(2,472,758)	(2,681,758)	(2,636,813)	44,945
To Public Works Construction Fund	(3,688,385)	(3,688,385)	(3,688,385)	-
To Wastewater Fund	-	(1,126,500)	(1,126,500)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(7,954,143)</u>	<u>(9,228,143)</u>	<u>(9,375,698)</u>	<u>(147,555)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(1,617,650)</u>	<u>(4,081,389)</u>	<u>3,324,966</u>	<u>3,773,323</u>
<b>Fund Balance - Beginning of Year</b>	<u>25,579,923</u>	<u>25,579,923</u>	<u>25,579,923</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 23,962,273</u>	<u>\$ 21,498,534</u>	<u>\$ 28,904,889</u>	<u>\$ 3,773,323</u>

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

**CITY OF GATLINBURG, TENNESSEE**  
**SPECIAL TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Local Taxes:</b>				
Gross Receipts Tax	\$ 2,443,483	\$ 2,443,483	\$ 2,868,864	\$ 425,381
Amusement Tax	2,759,511	2,759,511	3,284,107	524,596
Restaurant Tax	2,879,991	2,879,991	3,630,296	750,305
<b>Total Local Taxes</b>	<u>8,082,985</u>	<u>8,082,985</u>	<u>9,783,267</u>	<u>1,700,282</u>
<b>Use of Money and Property:</b>				
Interest Income	204,000	204,000	1,296,902	1,092,902
<b>Total Use of Money and Property</b>	<u>204,000</u>	<u>204,000</u>	<u>1,296,902</u>	<u>1,092,902</u>
<b>Contributions:</b>				
Underground Utilities Assessment	150,000	150,000	186,628	36,628
<b>Total Contributions</b>	<u>150,000</u>	<u>150,000</u>	<u>186,628</u>	<u>36,628</u>
<b>Total Revenues</b>	<u>8,436,985</u>	<u>8,436,985</u>	<u>11,266,797</u>	<u>2,829,812</u>
<b>EXPENDITURES</b>				
<b>Debt Service:</b>				
Principal	650,000	650,000	650,000	-
Interest	260,350	260,350	260,350	-
Paying Agent Fees	1,000	1,000	500	500
<b>Total Debt Service</b>	<u>911,350</u>	<u>911,350</u>	<u>910,850</u>	<u>500</u>
<b>Capital Outlay:</b>				
Sidewalk Maintenance	25,000	25,000	24,279	721
Winter Lights	31,800	76,800	63,138	13,662
<b>Total Capital Outlay</b>	<u>56,800</u>	<u>101,800</u>	<u>87,417</u>	<u>14,383</u>
<b>Contribution to Component Unit</b>	<u>1,235,838</u>	<u>1,235,838</u>	<u>476,810</u>	<u>759,028</u>
<b>Total Expenditures</b>	<u>2,203,988</u>	<u>2,248,988</u>	<u>1,475,077</u>	<u>773,911</u>
<b>Excess of Revenues Over Expenditures</b>	<u>6,232,997</u>	<u>6,187,997</u>	<u>9,791,720</u>	<u>3,603,723</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to Public Works Construction Fund	(1,882,695)	(2,807,695)	(3,368,695)	(561,000)
Transfer to Department of Tourism	(2,659,195)	(2,757,195)	(3,102,921)	345,726
Transfer to Grant Financed Projects Fund	(1,066,000)	(1,066,000)	(1,066,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(5,607,890)</u>	<u>(6,630,890)</u>	<u>(7,537,616)</u>	<u>(215,274)</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>625,107</u>	<u>(442,893)</u>	<u>2,254,104</u>	<u>2,696,997</u>
<b>Fund Balance - Beginning of Year</b>	<u>10,103,170</u>	<u>10,103,170</u>	<u>10,103,170</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 10,728,277</u>	<u>\$ 9,660,277</u>	<u>\$ 12,357,274</u>	<u>\$ 2,696,997</u>

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

**CITY OF GATLINBURG, TENNESSEE  
TOURISM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Advertising Fees	\$ -	\$ -	\$ 2,720	\$ 2,720
Interest Income	12,000	12,000	53,342	41,342
Other Revenue	-	-	16	16
<b>Total Revenues</b>	<u>12,000</u>	<u>12,000</u>	<u>56,078</u>	<u>44,078</u>
<b>EXPENDITURES</b>				
<b>Convention Center:</b>				
Personnel	174,798	188,798	183,323	5,475
General Services	1,641,807	1,655,807	1,655,664	143
Capital Outlay	1,264,526	1,236,526	359,868	876,658
<b>Total Convention Center</b>	<u>3,081,131</u>	<u>3,081,131</u>	<u>2,198,855</u>	<u>882,276</u>
<b>Tourism Department:</b>				
Personnel	14,900	14,900	5,772	9,128
Maintenance	58,185	56,685	9,278	47,407
General Services	10,129,446	10,691,946	10,499,156	192,790
<b>Total Tourism Department</b>	<u>10,202,531</u>	<u>10,763,531</u>	<u>10,514,206</u>	<u>249,325</u>
<b>Total Expenditures</b>	<u>13,283,662</u>	<u>13,844,662</u>	<u>12,713,061</u>	<u>1,131,601</u>
<b>Excess of Expenditures Over Revenues</b>	<u>(13,271,662)</u>	<u>(13,832,662)</u>	<u>(12,656,983)</u>	<u>1,175,679</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	11,409,417	11,409,417	12,381,834	972,417
<b>Total Other Financing Sources (Uses)</b>	<u>11,409,417</u>	<u>11,409,417</u>	<u>12,381,834</u>	<u>972,417</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(1,862,245)</u>	<u>(2,423,245)</u>	<u>(275,149)</u>	<u>2,148,096</u>
<b>Fund Balance - Beginning of Year</b>	<u>2,367,782</u>	<u>2,367,782</u>	<u>2,367,782</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 505,537</u>	<u>\$ (55,463)</u>	<u>\$ 2,092,633</u>	<u>\$ 2,148,096</u>

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

**CITY OF GATLINBURG, TENNESSEE  
PARKING AND MASS TRANSIT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
State Mass Transit Grants	\$ 1,002,916	\$ 1,002,916	\$ 1,606,453	\$ 603,537
<b>Total Intergovernmental</b>	<u>1,002,916</u>	<u>1,002,916</u>	<u>1,606,453</u>	<u>603,537</u>
<b>Use of Money and Property:</b>				
Interest Income	22,000	22,000	156,346	134,346
Advertising Fees	10,000	10,000	9,960	(40)
Miscellaneous Income	-	-	23,360	23,360
<b>Total Use of Money and Property</b>	<u>32,000</u>	<u>32,000</u>	<u>189,666</u>	<u>157,666</u>
<b>Charges for Service:</b>				
Parking Lot Income	3,600,000	3,600,000	4,025,582	425,582
Trolley Fares	8,000	8,000	9,150	1,150
<b>Total Charges for Service</b>	<u>3,608,000</u>	<u>3,608,000</u>	<u>4,034,732</u>	<u>426,732</u>
<b>Total Revenues</b>	<u>4,642,916</u>	<u>4,642,916</u>	<u>5,830,851</u>	<u>1,187,935</u>
<b>EXPENDITURES</b>				
<b>Parking Lots:</b>				
Personnel Costs	528,522	564,297	544,563	19,734
Supplies	38,893	38,893	27,241	11,652
Maintenance	304,884	304,884	152,369	152,515
General Services	237,080	281,080	283,748	(2,668)
<b>Total Parking Lots</b>	<u>1,109,379</u>	<u>1,189,154</u>	<u>1,007,921</u>	<u>181,233</u>
<b>Mass Transit</b>				
Personnel Costs	1,364,374	1,315,374	1,298,882	16,492
Supplies	277,000	247,000	143,061	103,939
Maintenance	179,000	243,000	213,193	29,807
General Services	189,244	204,244	191,679	12,565
Contingency	6,000	6,000	5,636	364
<b>Total Mass Transit</b>	<u>2,077,318</u>	<u>2,037,543</u>	<u>1,852,451</u>	<u>185,092</u>
<b>Total Expenditures</b>	<u>3,186,697</u>	<u>3,226,697</u>	<u>2,860,372</u>	<u>366,325</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,456,219</u>	<u>1,416,219</u>	<u>2,970,479</u>	<u>1,554,260</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out to Other Funds	(10,000)	(10,000)	(10,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>1,446,219</u>	<u>1,406,219</u>	<u>2,960,479</u>	<u>1,554,260</u>
<b>Fund Balance - Beginning of Year</b>	<u>2,606,764</u>	<u>2,606,764</u>	<u>2,606,764</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 4,052,983</u>	<u>\$ 4,012,983</u>	<u>\$ 5,567,243</u>	<u>\$ 1,554,260</u>

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

**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

ASSETS	Wastewater Fund	Water Fund	Total
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 6,663,620	\$ 910,789	\$ 7,574,409
Receivables:			
Customer Accounts, Net of Allowance for Doubtful Accounts of \$56,167	380,463	396,485	776,948
Due From Other Funds	1,088,232	-	1,088,232
Inventories	80,484	242,536	323,020
TCRS Stabilization Trust	15,710	28,927	44,637
<b>Total Current Assets</b>	<b>8,228,509</b>	<b>1,578,737</b>	<b>9,807,246</b>
<b>Noncurrent Assets</b>			
Land	121,116	116,618	237,734
Construction in Progress	19,509,093	346,609	19,855,702
Buildings and Improvements	18,925,199	1,536,483	20,461,682
Equipment, Furniture and Fixtures	3,720,051	2,830,234	6,550,285
Infrastructure	15,938,074	15,692,312	31,630,386
Allowance for Depreciation	(21,102,339)	(10,774,469)	(31,876,808)
<b>Total Capital Assets</b>	<b>37,111,194</b>	<b>9,747,787</b>	<b>46,858,981</b>
<b>Other Assets</b>			
Restricted Cash and Cash Equivalents	7,289,008	-	7,289,008
Investment in Joint Venture	-	3,563,164	3,563,164
Net Pension Asset	116,556	214,566	331,122
<b>Total Other Assets</b>	<b>7,405,564</b>	<b>3,777,730</b>	<b>11,183,294</b>
<b>Total Noncurrent Assets</b>	<b>44,516,758</b>	<b>13,525,517</b>	<b>58,042,275</b>
<b>TOTAL ASSETS</b>	<b>52,745,267</b>	<b>15,104,254</b>	<b>67,849,521</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	111,502	205,262	316,764
Deferred OPEB Outflows	1,216	2,240	3,456
<b>Total Deferred Outflows of Resources</b>	<b>112,718</b>	<b>207,502</b>	<b>320,220</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 52,857,985</b>	<b>\$ 15,311,756</b>	<b>\$ 68,169,741</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 859,057	\$ 185,264	\$ 1,044,321
Accrued Liabilities	-	70,834	70,834
Accrued Interest Payable	87,281	6,084	93,365
Customer Deposits	-	669,888	669,888
Compensated Absences - Current	22,000	38,000	60,000
Current Maturities of Long-Term Debt	280,000	100,000	380,000
<b>Total Current Liabilities</b>	<b>1,248,338</b>	<b>1,070,070</b>	<b>2,318,408</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences	90,317	149,615	239,932
Long-Term Debt	23,138,830	2,202,594	25,341,424
Accrued Post-Retirement Plan (OPEB) Liability	33,783	62,208	95,991
<b>Total Noncurrent Liabilities</b>	<b>23,262,930</b>	<b>2,414,417</b>	<b>25,677,347</b>
<b>TOTAL LIABILITIES</b>	<b>24,511,268</b>	<b>3,484,487</b>	<b>27,995,755</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows	650	1,197	1,847
Deferred OPEB Inflows	1,932	3,557	5,489
<b>Total Deferred Inflows of Resources</b>	<b>2,582</b>	<b>4,754</b>	<b>7,336</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	20,981,372	7,445,193	28,426,565
Restricted			
Net Pension Asset	116,556	214,566	331,122
TCRS Stabilization Trust	15,710	28,927	44,637
Unrestricted	7,230,497	4,133,829	11,364,326
<b>Total Net Position</b>	<b>28,344,135</b>	<b>11,822,515</b>	<b>40,166,650</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 52,857,985</b>	<b>\$ 15,311,756</b>	<b>\$ 68,169,741</b>

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



**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Wastewater Fund	Water Fund	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 4,798,867	\$ 3,284,188	\$ 8,083,055
Penalties	7,622	7,070	14,692
Service Fees	264,387	502,280	766,667
Other Operating Revenue	-	51,111	51,111
<b>Total Operating Revenues</b>	<b>5,070,876</b>	<b>3,844,649</b>	<b>8,915,525</b>
<b>OPERATING EXPENSES</b>			
Cost of Sales and Services of Plant and Systems	1,572,211	2,256,688	3,828,899
Maintenance	1,163,254	977,555	2,140,809
Depreciation	683,587	409,430	1,093,017
<b>Total Operating Expenses</b>	<b>3,419,052</b>	<b>3,643,673</b>	<b>7,062,725</b>
<b>OPERATING INCOME</b>	<b>1,651,824</b>	<b>200,976</b>	<b>1,852,800</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfers in	1,126,500	-	1,126,500
Interest Income	726,613	87,335	813,948
Interest Expense	(632,458)	(67,830)	(700,288)
Gain on Disposal of Capital Assets	6,097	6,679	12,776
<b>Total Non-Operating Revenues</b>	<b>1,226,752</b>	<b>26,184</b>	<b>1,252,936</b>
<b>CHANGE IN NET POSITION</b>	<b>2,878,576</b>	<b>227,160</b>	<b>3,105,736</b>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<b>25,465,559</b>	<b>11,595,355</b>	<b>37,060,914</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 28,344,135</b>	<b>\$ 11,822,515</b>	<b>\$ 40,166,650</b>

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

**CITY OF GATLINBURG, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Wastewater Fund	Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 5,038,414	\$ 3,742,878	\$ 8,781,292
Payments to or on Behalf of Employees	(1,206,645)	(968,732)	(2,175,377)
Payments to Suppliers	(1,812,143)	(2,242,899)	(4,055,042)
<b>Net Cash Provided by Operating Activities</b>	<b>2,019,626</b>	<b>531,247</b>	<b>2,550,873</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	(14,416,003)	(427,993)	(14,843,996)
Principal Paid on Long-Term Debt	(180,000)	(95,000)	(275,000)
Interest Paid on Long-Term Debt	(631,735)	(77,763)	(709,498)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(15,227,738)</b>	<b>(600,756)</b>	<b>(15,828,494)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments and Cash Deposits	726,613	87,335	813,948
<b>Net Cash Provided by Investing Activities</b>	<b>726,613</b>	<b>87,335</b>	<b>813,948</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,481,499)</b>	<b>17,826</b>	<b>(12,463,673)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>26,434,127</b>	<b>892,963</b>	<b>27,327,090</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 13,952,628</b>	<b>\$ 910,789</b>	<b>\$ 14,863,417</b>
<b>Cash and Cash Equivalents at End of Year Consist of:</b>			
Restricted Cash and Cash Equivalents	\$ 7,289,008	\$ -	\$ 7,289,008
Unrestricted Cash and Cash Equivalents	<b>\$ 6,663,620</b>	<b>\$ 910,789</b>	<b>\$ 7,574,409</b>
<b>RECONCILIATION OF OPERATING INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 1,651,824	\$ 200,976	\$ 1,852,800
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation & Amortization	683,587	409,430	1,093,017
(Increase) Decrease in Assets:			
Accounts Receivable	(32,462)	(101,771)	(134,233)
Inventories	(14,524)	(94,792)	(109,316)
Change in TCRS Stabilization Trust	(7,520)	(9,593)	(17,113)
Change in Deferred Outflows - Pension Expense	(25,303)	(1,790)	(27,093)
Change in Deferred Outflows - OPEB Expense	(54)	502	448
Increase (Decrease) in Liabilities:			
Accounts Payable	(225,408)	85,254	(140,154)
Accrued Liabilities	-	21,834	21,834
Accrued Post-Retirement Plan (OPEB) Liability	9,567	5,045	14,612
Change in Net Pension Liability	159,405	436,837	596,242
Change in Deferred Inflows - OPEB Expense	115	(733)	(618)
Change in Deferred Inflows - Pension Expense	(199,777)	(471,909)	(671,686)
Customer Deposits	-	23,327	23,327
Compensated Absences Payable	20,176	28,630	48,806
Total Adjustments	<b>367,802</b>	<b>330,271</b>	<b>698,073</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,019,626</b>	<b>\$ 531,247</b>	<b>\$ 2,550,873</b>
<b>Supplemental Schedule of Non-cash Activities</b>			
Amortization of Deferred Amount of Refunding	\$ -	\$ (3,981)	\$ (3,981)
Amortization of Bond Premium	\$ (25,616)	\$ (9,537)	\$ (35,153)

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

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Gatlinburg, Tennessee (the “City”) is a primary government entity governed by an elected five-member board of commissioners from whom the mayor is chosen. The reporting entity also includes the City’s component unit.

Rocky Top Sports World (the “Organization”) is a non-profit organization formed by the City of Gatlinburg and Sevier County for the purpose of developing, equipping, and maintaining a complex of sports and recreation facilities to promote community development through youth sports tourism. Each of the two government entities which created the Organization is given a place on the board of directors with voting interest directly proportionate to their participation interest. The City of Gatlinburg has a voting interest or financial responsibility of 70%. Sevier County has a voting interest or financial responsibility of 30%. Complete financial statements for the Organization may be obtained from their administrative office at 1870 Sports World Boulevard, Gatlinburg, Tennessee 37738. See Note 9.

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* and by the *Financial Accounting Standards Board* (when applicable). All applicable GASB Statements have been implemented.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the primary government. 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, fines, 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.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 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 invested in capital assets, net of related debt. 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 consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets." These are available for current use by the City.

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 balances, 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.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Debt Service Funds* - To account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

*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* - 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*

*Rocky Top Sports World* - This Organization is included in the government-wide financial statements and is accounted for on the same basis as the City's proprietary funds.

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.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. 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 and interest income.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The 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 revenue is recorded when it becomes susceptible to accrual (measurable and available):

- Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest revenue and charges for services (collected within thirty days after year end).
- Interest and principal on general long-term debt indebtedness are not accrued but are recorded as an expenditure on their due date.
- Accrued vacation leave is not recorded as an expenditure.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures; bond proceeds are reported as other financing sources.
- Other tax and nonexchange revenue receivable include state sales tax, state beer tax, state franchise and income tax, state gasoline and motor fuel tax, and state mixed drink tax. Certain other nonexchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

The City reports the following 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 special tax fund is used to account for the monies levied by the City for the restaurant tax, a portion of the gross receipts tax, and the amusement tax. The revenues from this fund are to be used for advertising and capital improvements. The convention center debt service fund is used to account for revenues designated for operation, maintenance expenses, and retirement of debt related to the City's convention center. The tourism fund is used to account for the revenues and expenses related to tourism promotion. The public works construction fund, a capital projects fund, is used to account for financial resources related to the construction or renovation of major capital projects.

The City's proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The City reports the following major proprietary funds: the water fund and the wastewater fund.

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

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is 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.

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.

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.

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 and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of certificates of deposit, money market investment accounts maturing within 90 days of original purchase.

Cash and cash equivalents in certain funds are classified as restricted or held for long-term purposes because the restriction is either imposed by enabling legislation or the source of funds restrict their use to specific purposes such as capital projects, education, police protection, state street aid, or city court fees.

Inventories

Inventories are valued at lower of average cost (first-in, first-out) or net realizable value. Inventories are determined by physical count. Inventories in the general fund consist of parts held for consumption. The costs thereof are recorded as an expenditure when consumed rather than when purchased.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Governmental Funds

Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method, as follows:

Land Improvements	40 years
Buildings and Improvements	40 - 60 years
Equipment, Furniture, and Fixtures	5 - 40 years
Vehicles	5 - 20 years
Infrastructure	40 - 80 years

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

Proprietary Fund Types

Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis to the extent the City's capitalization threshold of \$5,000 is met. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. 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 has been provided over the estimated useful lives using the straight-line method. Depreciation rates are as follows:

Infrastructure (Main Lines)	50 years
Buildings and Improvements	50 years
Equipment, Furniture and Fixtures	3 - 10 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. Deferred pension outflows represent employer contributions to the pension plan during the year ended June 30, 2023 and actuarial experience and earnings differences for the pension plan. Deferred other post retirement employment benefits ("OPEB") outflows represent potential claims during the year ended June 30, 2023 and actuarial experience and earnings differences for the OPEB plan. Deferred amounts on refundings consist of deferred charges on debt refundings resulting from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.



CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

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 nonspendable, 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:

*Nonspendable 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.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits.

Vacation pay which is payable to the employee in the event of termination is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for unused vacation amounts is reported in governmental funds only if the amounts have matured, for example as a result of employee resignations and retirements.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City's policy is to allow retiring employees to receive payment for one-half of their accumulated sick leave at retirement, or the unused sick leave can be applied toward the calculation of the employee's retirement benefits. The City also allows all employees to receive a payment each year for any accumulated sick pay in excess of a predetermined base amount. The liability associated with the City's policies related to accumulated unused sick leave is accrued in the government-wide and proprietary funds as the employee earns the rights to the benefits. A liability is reported in governmental funds only if it has matured.

Long-Term Obligations

The City reports long-term debt of governmental funds at face value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types and at the government-wide level for governmental funds, bond premiums and discounts, the difference between the carrying amount of defeased debt and its reacquisition price are deferred and amortized. Bond premiums and discounts are amortized proportionately to the amount of principal paid in a given year on the debt. The difference between the carrying amount of defeased debt and its reacquisition price is amortized over the shorter of the life of the refunded debt or the life of the refunding debt. Bonds payable are reported net of the applicable bond premium or discount and any difference between the carrying amount of the defeased debt and its reacquisition price.

Budgetary Principles

Annual budgets 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 governmental funds except the capital projects funds, which adopt project-length budgets. The City Council may amend the budget by a majority vote on the amendment.

Prior to the beginning of the fiscal year, the City Manager submits an operating budget for all funds to the City Commission. Public hearings are held, and the City Commission legally adopts the budget through passage of an appropriation ordinance. All supplemental appropriations must also be approved by the City Commission. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year.

The City has not chosen to present a budget for proprietary funds.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of its fiscal year are referred to as “interfund receivables/payables.” All other outstanding balances between funds are reported as “due to/from other funds” in the governmental and proprietary fund financial statements.

Sponsorships

Sponsorships for the Organization 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.

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. 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Property Taxes

Property taxes become a lien on 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, and taxpayers qualify for a 2% discount if paid before the first day of November. 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.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Inflows of Resources

As noted above, property taxes for 2023 of \$1,052,755 are recognized as an enforceable legal claim on January 1, 2023. 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. Deferred sales tax revenue of \$1,172,692 is reported as deferred inflows of resources. Deferred amounts on refundings consist of deferred charges on debt refundings resulting from the difference in the carrying value of the 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 pension inflows represent inflows for actuarial experience and earnings differences for the pension plan. Deferred OPEB inflows represent inflows for change in assumptions for the OPEB plan.

Unearned Revenue

Unearned revenue consists of deposits received by the Organization in advance for future events booked at the complex and sponsorships deferred and which will be recognized as revenue over the term of the sponsorship agreement.

Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to / deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Tap Fees

All tap fees are recorded as operating revenue and the related cost of setting taps is expensed.

Presentation of Certain Taxes

The City collects various taxes from customers and remits these amounts to applicable taxing authorities. The City's accounting policy is to exclude these taxes from revenues and cost of sales.

CITY OF GATLINBURG, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2023

**NOTE 2 - CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk - Deposits**

For cash and cash equivalents, this is the risk that, in the event of a bank failure, the City's deposits may 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 the 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, 2023, the book balances of the reporting entity's cash, cash equivalents, and restricted cash totaled \$103,848,623 and the bank balances totaled \$107,290,103 (\$106,892,973 was covered by FDIC Insurance and \$397,130 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department).

Rocky Top Sports World has no uninsured cash as of June 30, 2023.

**NOTE 3 - OTHER TAX AND NONEXCHANGE REVENUE RECEIVABLE**

Other tax and nonexchange revenue receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Special Tax Fund</u>	<u>Convention Center Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
<b>Other Tax and Nonexchange Revenue Receivables:</b>					
Taxes:					
Sales	\$ 616,102	\$ -	\$ 369,653	\$ -	\$ 985,755
Gross Receipts	1,174,977	293,745	-	-	1,468,722
Amusement	-	367,524	-	-	367,524
Hotel/Motel	357,090	-	357,090	357,091	1,071,271
Gasoline (Restricted for Streets and Highways)	-	-	-	27,478	27,478
Mixed Drink	-	-	-	93,072	93,072
Restaurant	-	361,681	-	-	361,681
<b>Total Other Tax and Nonexchange Revenue Receivables</b>	<b><u>\$ 2,148,169</u></b>	<b><u>\$1,022,950</u></b>	<b><u>\$ 726,743</u></b>	<b><u>\$ 477,641</u></b>	<b><u>\$4,375,503</u></b>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A detailed listing of interfund receivables or payables at of June 30, 2023 is as follows:

	Due From Other Funds	Due to Other Funds	Total Balances	Due From Component Unit	Due to Primary Government
<b>Governmental Activities:</b>					
General Fund	\$ -	\$ 1,126,500	\$ 1,126,500	\$ -	\$ -
Vehicle Replacement Fund	38,268	-	38,268	-	-
Public Works Construction Fund	-	-	-	234,000	-
	<u>\$ 38,268</u>	<u>\$ 1,126,500</u>	<u>\$ 1,164,768</u>	<u>\$ 234,000</u>	<u>\$ -</u>
<b>Business-type Activities:</b>					
Wastewater Fund	\$ 1,088,232	\$ -	\$ 1,088,232	\$ -	\$ -
<b>Component Unit:</b>					
Rocky Top Sports World	\$ -	\$ -	\$ -	\$ -	\$ 234,000

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

Interfund transfers during the fiscal year were as follows:

	Transfers From:						Total
	General Fund	Convention Center Debt Service Fund	Special Tax Fund	Hotel/ Motel Tax Fund	Parking & Mass Transit Fund	School Fund	
<b>Transfers To:</b>							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tourism Fund	2,636,813	2,949,818	3,102,921	3,692,282	-	-	12,381,834
Public Works Construction Fund	3,688,385	-	3,368,695	-	-	645,000	7,702,080
State Street Aid Fund	468,000	-	-	-	-	-	468,000
Vehicle Replacement Fund	1,456,000	-	-	-	10,000	-	1,466,000
Grants Financed Projects Fund	-	-	1,066,000	-	-	-	1,066,000
Wastewater Fund	1,126,500	-	-	-	-	-	1,126,500
<b>Total</b>	<u>\$ 9,375,698</u>	<u>\$ 2,949,818</u>	<u>\$ 7,537,616</u>	<u>\$ 3,692,282</u>	<u>\$ 10,000</u>	<u>\$ 645,000</u>	<u>\$ 24,210,414</u>

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5 - SPONSORSHIPS

The following schedule summarizes the sponsorships due to Rocky Top Sports World as of June 30, 2023:

2024	\$ 18,125
2025	10,000
2026	5,000
2027	<u>5,000</u>
	38,125
Less current portion	<u>(18,125)</u>
Total	<u>\$ 20,000</u>

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CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
<b>Governmental Activities:</b>					
Capital Assets not depreciated:					
Land	\$12,411,775	\$ -	\$ -	\$ -	\$ 12,411,775
Construction in progress	13,858,180	6,345,716	-	(12,981,602)	7,222,294
Total Capital Assets, Not Depreciated	<u>26,269,955</u>	<u>6,345,716</u>	<u>-</u>	<u>(12,981,602)</u>	<u>19,634,069</u>
Capital Assets, Being Depreciated:					
Land Improvements	4,172,386	52,125	-	2,537,177	6,761,688
Buildings and Improvements	62,601,737	7,039,481	(1,239,916)	10,182,278	78,583,580
Equipment, Furniture, and Fixtures	8,871,740	782,272	(70,716)	19,856	9,603,152
Vehicles	14,924,288	2,301,693	(909,680)	-	16,316,301
Infrastructure	50,547,009	633,478	-	242,291	51,422,778
Total Capital Assets, Being Depreciated	<u>141,117,160</u>	<u>10,809,049</u>	<u>(2,220,312)</u>	<u>12,981,602</u>	<u>162,687,499</u>
Less Accumulated Depreciation for:					
Land Improvements	(1,001,780)	(90,261)	-	-	(1,092,041)
Buildings and Improvements	(35,855,557)	(1,641,794)	676,221	-	(36,821,130)
Equipment, Furniture, and Fixtures	(4,922,694)	(450,695)	48,756	-	(5,324,633)
Vehicles	(7,729,851)	(764,066)	695,304	-	(7,798,613)
Infrastructure	(18,644,203)	(1,027,868)	-	-	(19,672,071)
Total Accumulated Depreciation	<u>(68,154,085)</u>	<u>(3,974,684)</u>	<u>1,420,281</u>	<u>-</u>	<u>(70,708,488)</u>
Total Capital Assets, Being Depreciated, Net	<u>72,963,075</u>	<u>6,834,365</u>	<u>(800,031)</u>	<u>12,981,602</u>	<u>91,979,011</u>
Governmental Activities Capital Assets, Net	<u>\$99,233,030</u>	<u>\$13,180,081</u>	<u>\$ (800,031)</u>	<u>\$ -</u>	<u>\$ 111,613,080</u>

Depreciation was charged to primary government governmental activities as follows:

General government	\$268,368
Public safety	465,955
Public works	1,342,123
Recreation	359,217
Transportation	388,836
Tourism	<u>1,150,185</u>
	<u>\$3,974,684</u>

At June 30, 2023, construction in progress for the governmental activities related to various projects. The estimated costs to complete the construction in progress for the various projects totaled approximately \$15,435,000.



CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS - Continued

Capital asset activity for the City's business-type activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
<b>Business-Type Activities:</b>					
Capital Assets not depreciated:					
Land	\$ 237,734	\$ -	\$ -	\$ -	\$ 237,734
Construction in progress	5,415,951	14,527,319	(87,568)	-	19,855,702
Total Capital Assets, Not Depreciated	<u>5,653,685</u>	<u>14,527,319</u>	<u>(87,568)</u>	<u>-</u>	<u>20,093,436</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	20,424,539	37,143	-	-	20,461,682
Equipment, Furniture, and Fixtures	6,404,883	261,645	(116,243)	-	6,550,285
Infrastructure	31,514,809	119,377	(3,800)	-	31,630,386
Total Capital Assets, Being Depreciated	<u>58,344,231</u>	<u>418,165</u>	<u>(120,043)</u>	<u>-</u>	<u>58,642,353</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(12,120,628)	(285,911)	-	-	(12,406,539)
Equipment, Furniture, and Fixtures	(2,358,070)	(227,648)	115,099	-	(2,470,619)
Infrastructure	(16,423,992)	(579,458)	3,800	-	(16,999,650)
Total Accumulated Depreciation	<u>(30,902,690)</u>	<u>(1,093,017)</u>	<u>118,899</u>	<u>-</u>	<u>(31,876,808)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,441,541</u>	<u>(674,852)</u>	<u>(1,144)</u>	<u>-</u>	<u>26,765,545</u>
Business-Type Activities Capital Assets, Net	<u>\$33,095,226</u>	<u>\$13,852,467</u>	<u>\$ (88,712)</u>	<u>\$ -</u>	<u>\$ 46,858,981</u>

At June 30, 2023, construction in progress for the business-type activities related to various projects. The estimated costs to complete the construction in progress for the various projects totaled approximately \$9,093,000.

Capital asset activity for the City's discretely presented component unit for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
<b>Component Unit:</b>				
Capital Assets not depreciated:				
Land	\$ 2,390,256	\$ -	\$ -	\$ 2,390,256
CIP	195,115	9,000	(195,115)	9,000
Total Capital Assets, Not Depreciated	<u>2,585,371</u>	<u>9,000</u>	<u>(195,115)</u>	<u>2,399,256</u>
Capital Assets, Being Depreciated:				
Equipment	1,355,366	7,714	-	1,363,080
Furniture and Fixtures	64,500	-	-	64,500
Building	16,603,753	-	-	16,603,753
Improvements Other Than Building	4,273,367	898,784	-	5,172,151
Total Capital Assets, Being Depreciated	<u>22,296,986</u>	<u>906,498</u>	<u>-</u>	<u>23,203,484</u>
Less Accumulated Depreciation for:				
Equipment	(1,034,749)	(123,606)	-	(1,158,355)
Furniture and Fixtures	(62,282)	(739)	-	(63,021)
Building	(5,922,387)	(488,371)	-	(6,410,758)
Improvements Other Than Building	(2,340,481)	(298,891)	-	(2,639,372)
Total Accumulated Depreciation	<u>(9,359,899)</u>	<u>(911,607)</u>	<u>-</u>	<u>(10,271,506)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,937,087</u>	<u>(5,109)</u>	<u>-</u>	<u>12,931,978</u>
Component Unit Capital Assets, Net	<u>\$15,522,458</u>	<u>\$ 3,891</u>	<u>\$ (195,115)</u>	<u>\$ 15,331,234</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS - Continued

At June 30, 2023, construction in progress for the component unit related to the construction of outdoor bathrooms. The estimated costs to complete totaled approximately \$275,000.

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due in Year Ending June 30, 2024
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 31,080,000	\$ -	\$ (2,085,000)	\$ 28,995,000	\$ 1,980,000
Premium (Discount) on Bond Issuance	3,336,399	-	(233,726)	3,102,673	-
Sub-Total	34,416,399	-	(2,318,726)	32,097,673	1,980,000
Compensated Absences	1,760,947	206,252	-	1,967,199	850,000
Total Governmental Activities	<u>\$ 36,177,346</u>	<u>\$ 206,252</u>	<u>\$ (2,318,726)</u>	<u>\$ 34,064,872</u>	<u>\$ 2,830,000</u>
<b>Business-type Activities:</b>					
General Obligation Bonds	\$ 25,235,000	\$ -	\$ (275,000)	\$ 24,960,000	\$ 380,000
Premium (Discount) on Bond Issuance	796,577	-	(35,153)	761,424	-
Sub-Total	26,031,577	-	(310,153)	25,721,424	380,000
Compensated Absences	251,126	48,806	-	299,932	60,000
Total Business-type Activities	<u>\$ 26,282,703</u>	<u>\$ 48,806</u>	<u>\$ (310,153)</u>	<u>\$ 26,021,356</u>	<u>\$ 440,000</u>

Governmental Activities

The City issues general obligation bonds and capital outlay notes and incurs loans payable to provide funds for the acquisition and construction of major capital items. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 to 20-year bonds with varying amounts of principal maturing each year.

During 2020, the City issued General Refunding Obligation Bonds, Series 2019A to refund the Series 2009 General Obligation Refunding Bond and 2011 General Obligation Bond in the amount of \$6,850,000. The City received a premium on the bonds of \$1,077,642 which is being amortized on the government-wide financial statements over the term of the bonds. The refunding reduced cash flows required for debt service to be repaid by the City by \$778,172 and resulted in an economic gain of \$680,131.

During 2020, the City issued General Obligation Bonds, Series 2020A to fund ongoing water and sewer projects and to refund all or a portion of the Series 2012, 2013B, 2014 Sport Complex, and 2014 Arrowmont General Obligation Bonds. Of the Series 2020A, \$23,330,000 has been allocated to governmental activities and \$4,055,000 to business-type activities. The City received a premium on the bonds of \$2,311,906 which is being amortized on the government-wide financial statements over the term of the bonds. The refunding reduced cash flows required for debt service to be repaid by the City by \$2,478,638 and resulted in an economic gain of \$1,994,678.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7 - LONG-TERM OBLIGATIONS - Continued

During 2021, the City issued General Obligation Bonds, Series 2020B totaling \$4,550,000 to fund improvements to the convention center and auditorium. The City received a premium on the bonds of \$683,368, which is being amortized on the government-wide financial statements over the term of the bonds.

During 2022, the City issued General Obligation Bonds, Series 2021 and Series 2022 totaling \$9,685,000 and \$9,820,000, respectively, to fund improvements related to the Wastewater Fund. The City received a premium on the bonds of \$493,998, which is being amortized on the proprietary fund financial statements over the term of the bonds. See the business-type activities.

General obligation bonds currently outstanding are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2023
General Obligation Refunding Bond	3.00% - 5.00%	10/29/19	05/01/31	\$ 6,850,000	\$ 5,245,000
General Obligation Bond	2.50% - 5.00%	5/29/20	06/01/39	23,330,000 *	19,885,000
General Obligation Bond	1.00% - 2.00%	12/11/20	06/01/40	4,550,000	3,865,000
					\$ 28,995,000

\*Total issue \$27,385,000 - allocated between governmental and business-type activities.

Annual debt service requirements to maturity of the primary government for the bonds are as follows:

<u>Year Ending June</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2024	1,980,000	1,064,288
2025	2,060,000	965,288
2026	1,980,000	862,288
2027	2,060,000	763,288
2028-2032	10,955,000	2,308,240
2033-2037	9,285,000	826,112
2038-2042	675,000	40,500
	\$ 28,995,000	\$ 6,830,004

Business-Type Activities

The City issues general obligation bonds to provide funds for acquisition and construction of major capital items. All bonds and loans are backed by the full faith and credit of the City.

The bonds and loans payable outstanding as of June 30, 2023 are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2023
Series 2016 General Obligation Bonds	2.00% - 2.20%	10/29/2019	06/01/2037	\$ 3,650,000	\$ 1,850,000
Series 2020A General Obligation Bonds	2.50% - 5.00%	05/29/20	06/01/2039	4,055,000 *	3,605,000
Series 2021 General Obligation Bond	2.00% - 3.00%	12/10/2021	06/01/2051	9,685,000	9,685,000
Series 2022 General Obligation Bond	3.00% - 5.00%	05/20/2022	03/01/2052	9,820,000	9,820,000
					\$24,960,000

\*Total issue \$27,385,000 - allocated between governmental and business-type activities.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7 - LONG-TERM OBLIGATIONS - Continued

Annual debt service requirements to maturity of the proprietary funds for the bonds and loans payable are as follows:

Year Ending June	General Obligation Bonds	
	Principal	Interest
2024	380,000	753,986
2025	645,000	740,436
2026	780,000	716,886
2027	810,000	686,686
2028-2032	4,500,000	2,949,930
2033-2037	5,170,000	2,292,147
2038-2042	4,160,000	1,665,597
2043-2047	4,165,000	1,105,210
2048-2052	4,350,000	421,518
	\$24,960,000	\$11,332,396

The above bonds and notes payable contain provisions that in the event of default, the lenders can exercise one or more of the following options: 1) make the outstanding bond and/or note payable with accrued interest due and payable, 2) use any remedy allowed by state or federal law.

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City carries commercial insurance covering boiler and machinery property damage, employee dishonesty and performance, automobiles, and fire damage. Coverage for all other risks is through a risk management pool sponsored by Public Entity Partners Pool ("PEP:), formerly the TML Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for Tennessee municipalities. The City pays an annual premium to the PEP for its general insurance coverage. The agreement for the formation of the PEP provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$250,000 for each insured event. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three fiscal years.

The pooling agreement allows for the PEP to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments. The PEP has published its own financial report for the year ended June 30, 2023, which can be obtained from Public Entity Partners, 5100 Maryland Way, Brentwood, Tennessee 37027.

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

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9 - JOINT VENTURES, OTHER RELATED ORGANIZATION AND COMPONENT UNIT

***Joint Ventures and Other Related Organizations***

Sevier Solid Waste, Inc.

In 1988, the City entered into a joint venture with the City of Pigeon Forge, the City of Sevierville, and Sevier County to create Sevier Solid Waste, Inc. Sevier Solid Waste, Inc. is a nonprofit organization created under the laws of the State of Tennessee for the purposes 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 Interlocal 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 vote equal 25%. During 1995 the Public Building Authority of Sevier County issued 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 22.02%. In 1999, the Public Building Authority of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of \$2,500,000 to also finance the capital needs of Sevier Solid Waste, Inc. with the City's pro-rata portion being 21.52%. 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 Gatlinburg issued \$1,585,000 in fixed rate bonds for its portion of the original outstanding Sevier Solid Waste Facility Bonds. As of June 30, 2023, the remaining balance on these bonds was paid in full. 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. The City's assessed portion of solid waste disposal services provided during the fiscal year ended June 30, 2023 was \$996,634. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 1826 Ridge Road, Pigeon Forge, Tennessee 37876.

Sevier Water Board, Inc.

In 1994, the City entered into a joint venture with the City of Pigeon Forge, the City of Sevierville, and Sevier County to create the Sevier Water Board, Inc. Sevier Water Board, Inc. is a nonprofit 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 Interlocal Cooperation Agreement was entered into on December 14, 1994, 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.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9 - JOINT VENTURES, OTHER RELATED ORGANIZATION AND  
COMPONENT UNIT - Continued

The City of Gatlinburg, through an interlocal agreement with Sevier County, the City of Pigeon Forge, 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 Public Building Authority of Sevier County, Tennessee to issue Adjustable-Rate Local Government Public Improvement Bonds, Series A. Through a loan agreement between the participating governments dated June 1, 1996, the City of Gatlinburg's percentage of ownership and liability was determined to be 30%. 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 Gatlinburg issued \$1,110,000 in fixed rate bonds for the refinancing of the City's share of the debt. As of June 30, 2023, the balance on these bonds has been paid in full. Total investment in the Sevier Water Board, Inc. by the City of Gatlinburg as of June 30, 2023 was \$3,563,164 (cost). Financial statements of the Sevier Water Board, Inc. are available at 3221 Rena Street, Pigeon Forge, Tennessee 37863.

Gatlinburg Airport Authority, Inc.

The City of Gatlinburg officials are responsible for appointing members to the board of The Gatlinburg Airport Authority, Inc.; however, the City's accountability for this organization does not extend beyond making the appointments. The Gatlinburg Airport Authority, Inc.'s five-member board is appointed by the City; however, only two members are nominated by the City. The remaining members are nominated by another area government (the City of Pigeon Forge) and industry. The City appropriated \$100,000 to The Gatlinburg Airport Authority, Inc. for the year ended June 30, 2023. Complete financial statements for The Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Authority's administrative office at 134 Air Museum Way, Sevierville, Tennessee 37862.

***Component Unit***

Rocky Top Sports World

In December 2012, the City entered into an agreement with Sevier County (the "County") to develop, construct, equip and operate a Youth Sports Complex (the "Project"), consisting of soccer fields, indoor sports complex and parking facilities. The County committed to fund \$6,000,000 of the project. During 2013, the County contributed \$2,000,000 of its total committed amount, with the remaining to be paid to the City in four \$1,000,000 installments beginning fiscal year 2016. Total cost of construction at completion, including land, buildings and equipment, was approximately \$24 million. The City issued bonds totaling \$23,050,000 for construction costs and other costs associated with the Project.

In accordance with the Memorandum of Understanding dated September 2012 and Inter Local Agreement dated December 2012, the City and County created a Youth Sports Complex Advisory Authority (the "Authority"), with the City appointing four members and the County appointing three members. This Authority advises and makes recommendations regarding the operation and management of the facility.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9 - JOINT VENTURES, OTHER RELATED ORGANIZATION AND COMPONENT UNIT - Continued

The Youth Sports Complex is named “Rocky Top Sports World” and in December 2013 the entity was incorporated as a not-for-profit corporation. The directors of the Organization consist of the City Manager, County Mayor, and a City Commissioner. The City and County have an interest in the corporation of 70% and 30%, respectively. The City reports its investment in the Organization using the equity method. Budgeted deficits arising from the operation of the Organization shall be funded in proportion to each party’s respective interest. For the year ended June 30, 2023, the City contributed a total of \$476,810 to the Organization to assist in funding operations and capital needs.

In January 2013, the City and County entered into an agreement with Sports Facilities Advisory, LLC (“SFA”) to provide consulting and preopening management services for the Organization until the complex was opened. Effective July 1, 2017, the facility management agreement was renewed for a period of five years and includes three individual one-year renewal options. The renewal agreement calls for a monthly fixed base fee of \$12,500 until the City of Gatlinburg tax revenues return to their 2015-2016 fiscal year levels for a full fiscal year. At that time, the monthly fixed base fee will increase to \$14,500. The fixed base fee is subject to certain performance metrics that if not achieved could reduce the monthly payment to not less than \$9,250. The renewal agreement calls for a monthly fixed base fee of \$14,500 beginning in fiscal year 2020. SFA also receives an incentive fee equal to 2% of the total gross revenues of the Organization above \$500,000.

Construction of the facilities was completed, and the complex opened in July 2014. The approximately \$24 million asset was contributed in fiscal year 2015 from the City and County to the Organization where it was recorded as a noncash capital contribution on the books of the Organization. The City’s portion of the cost is recorded on their statement of net position as part of their investment in component unit. The outstanding bonds incurred to finance the project will remain on the books of the City.

Rocky Top Sports World is a discretely presented component unit of the City.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Employees of the City participate in the following retirement systems:

- a. Public Employee Retirement Plan.
- b. Public Employee Retirement Hybrid Plan.
- c. Defined Contribution Plan - A component of the Public Employee Retirement Hybrid Plan with Cost Controls.
- d. Deferred Compensation Plan.

CITY OF GATLINBURG, TENNESSEE  
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NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

The Public Employee Retirement Plan and the Public Employee Retirement Hybrid Plan with Cost Controls are defined benefits plans administered by the Tennessee Consolidated Retirement System (“TCRS”). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34 - 37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-investment-Policies>.

The following information is provided to support the balances as of June 30, 2023, in the total column on the Statement of Net Position on page 17 of the financial statements.

	<u>Public Employee Retirement Plan</u>	<u>Public Employee Retirement Plan (Hybrid with Cost Controls)</u>	<u>All Plans</u>
Net pension asset	\$3,916,209	\$105,556	\$4,021,765
Pension deferred outflows	3,408,615	438,773	3,847,388
Pension deferred inflows	-	22,428	22,428

The following information applies to all three defined benefit plans administered by the TCRS and is provided here so it is not repeated in the descriptions of each of these plans.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. By law, employer contributions are required to be paid. The TCRS may intercept the City’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (“ADC”) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

*Net Pension Liability (Asset):* The net pension liability (asset) for each plan was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:* The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

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



CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging markets international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the three factors described above.

*Discount Rate:* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GATLINBURG, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

**(A) Tennessee Consolidated Retirement System - Legacy Plan**

*Plan Description* - Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS.

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A 1% COLA is granted if the CPI change is between one-half percent and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms* - At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	196
Inactive employees entitled to, but not yet receiving benefits	187
Active employees	<u>119</u>
Total	<u><u>502</u></u>

This plan is closed to new entrants hired after July 1, 2014.

*Contributions* - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City has adopted a noncontributory retirement plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for the City were \$431,355 based on a rate of 5.39% of covered payroll. By law, employer contributions are required to be paid.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

Changes in Net Pension Liability (Asset)

The changes in net pension liability (asset) are shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (Asset) (a) - (b)
Balances at June 30, 2021	<u>\$ 69,954,511</u>	<u>\$ 82,940,391</u>	<u>\$(12,985,880)</u>
Changes for the Year:			
Service Cost	574,888	-	574,888
Interest	4,658,693	-	4,658,693
Difference between Expected and Actual Expenses	811,869	-	811,869
Changes of assumptions	-	-	-
Contributions - Employer	-	105,323	(105,323)
Contributions - Employee	-	-	-
Net Investment Income	-	( 3,116,924)	3,116,924
Benefit Payments - Including Refunds of Employee Contributions	( 3,023,440)	( 3,023,440)	-
Administrative Expenses	-	( 12,620)	12,620
Net Changes	<u>3,022,010</u>	<u>( 6,047,661)</u>	<u>9,069,671</u>
Balances at June 30, 2022	<u>\$ 72,976,521</u>	<u>\$ 76,892,730</u>	<u>\$( 3,916,209)</u>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* - The following presents the net pension liability (asset) of the City's calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75 %)	1% Increase (7.75%)
Net pension liability (asset)	<u>\$5,555,675</u>	<u>\$(3,916,209)</u>	<u>\$(11,796,350)</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

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

*Pension Expense* - For the year ended June 30, 2023, the City recognized pension expense of \$252,752.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 721,679	\$ -
Changes of assumptions	2,231,219	-
Net difference between projected and actual earnings on pension plan investments	24,362	-
Contributions subsequent to the measurement date of June 30, 2022	<u>431,355</u>	<u>N/A</u>
Total	<u>\$3,408,615</u>	<u>\$ -</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>For the Years Ended June 30,</u>	<u>Amount</u>
2024	\$ 898,491
2025	911,761
2026	( 556,290)
2027	1,723,298

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

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

At June 30, 2023, the City did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2023 since all contributions were paid prior to year end.

**(B) Tennessee Consolidated Retirement System - Hybrid Plan With Cost Controls**

*Plan Description* - Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS.

Benefits Provided - Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms - At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to, but not yet receiving benefits	100
Active employees	<u>129</u>
Total	<u>230</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

*Contributions* - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. Employer contributions by the City for the year ended June 30, 2023 to the Public Employee Retirement Plan were \$170,037, which is 4.01% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

The changes in net pension liability (asset) are shown below:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2021	<u>\$ 1,111,467</u>	<u>\$ 1,389,762</u>	<u>\$(278,295)</u>
Changes for the Year:			
Service Cost	247,792	-	247,792
Interest	91,037	-	91,037
Difference between Expected and Actual Expenses	90,504	-	90,504
Contributions - Employer	-	84,324	( 84,324)
Contributions - Employee	-	243,713	(243,713)
Net Investment Income	-	(58,796)	58,796
Benefit Payments - Including Refunds of Employee Contributions	( 21,121)	( 21,121)	-
Administrative Expenses	-	( 12,647)	12,647
Net Changes	<u>364,547</u>	<u>489,819</u>	<u>(125,272)</u>
Balances at June 30, 2022	<u>\$ 1,519,679</u>	<u>\$ 1,625,235</u>	<u>\$(105,556)</u>

**Changes in Net Pension Liability (Asset)**

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* - The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension liability (asset)	<u>\$323,617</u>	<u>\$(105,556)</u>	<u>\$(424,276)</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

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

*Pension Expense* - For the year ended June 30, 2023, the City recognized pension expense of \$31,952.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$156,674	\$22,428
Changes of Assumptions	87,915	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	24,148	-
Contributions Subsequent to the Measurement Date of June 30, 2022	170,036	N/A
Total	\$438,773	\$22,428

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>For the Years Ended June 30,</u>	<u>Amount</u>
2024	\$28,729
2025	28,959
2026	25,360
2027	61,358
2028	28,851
Thereafter	73,044

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

Payable to the Pension Plan

At June 30, 2023, the City did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2023 since all contributions were paid prior to year-end.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

**Defined Contribution Retirement Plan**

The City has adopted the State of Tennessee's defined contribution retirement plan for employees as a component of the Tennessee Consolidated Retirement System - Hybrid Plan with Cost Controls for employees hired on or after July 1, 2014.

The City has elected to contribute 5% of each eligible participant's compensation per year. The City contributed \$336,819 to the plan during 2023 which represents 5% of covered payroll. Covered payroll for the year ended June 30, 2023 was \$6,718,899.

**TCRS Stabilization Trust**

**Legal Provisions** - The City of Gatlinburg's Hybrid Agent Plan is a member of the Tennessee Consolidated Retirement System ("TCRS") Stabilization Reserve Trust. The City has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated* ("TCA"), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the City.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The City's Hybrid Agent Plan may not impose any restrictions on investments placed by the trust on their behalf.

**Investment Balances** - Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust ("TRGT"). The TRGT is not registered with the Securities and Exchange Commission ("SEC") as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2022, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP.



CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using the last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment was reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2023, the City’s Hybrid Agent Plan had the following investments held by the trust on its behalf.

	<u>Weighted Average Maturity (Days)</u>	<u>Maturities</u>	<u>Fair Value</u>
Investments at Fair Value			
U.S. Equity	N/A	N/A	\$167,931
Developed Market International Equity	N/A	N/A	75,839
Emerging Market International Equity	N/A	N/A	21,668
U.S. Fixed Income	N/A	N/A	108,342
Real Estate	N/A	N/A	54,171
Short-Term Securities	N/A	N/A	5,417
Investments at Amortized Cost using the NAV			
Private Equity and Strategic Lending	N/A	N/A	<u>108,342</u>
 Total			 <u>\$541,710</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS - Continued

	<u>Fair Value Measurements Using</u>				
	<u>Carrying Amount</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Amortized Cost (NAV)</u>
<b>Investments at Fair Value</b>					
U.S. Equity	\$167,931	\$167,931	\$ -	\$ -	\$ -
Developed Market					
International Equity	75,839	75,839	-	-	-
Emerging Market					
International Equity	21,668	21,668	-	-	-
U.S. Fixed Income	108,342	-	108,342	-	-
Real Estate	54,171	-	-	54,171	-
Short-Term Securities	5,417	-	5,417	-	-
Private Equity and Strategic Lending	<u>108,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,342</u>
<b>Total</b>	<b><u>\$541,710</u></b>	<b><u>\$265,438</u></b>	<b><u>\$113,759</u></b>	<b><u>\$54,171</u></b>	<b><u>\$108,342</u></b>

**Risks and Uncertainties** - The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds, and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's Hybrid Agent Plan does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Hybrid Agent Plan does not have the ability to limit the credit ratings of individual investments made by the trust.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. The City's Hybrid Agent Plan places no limit on the amount the county may invest in one issuer.

**Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the City's Hybrid Agent Plan to pay retirement benefits of the City's employees.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

For further information concerning the City’s investments with the TCRS Stabilization Reserve Trust, audited financial statements of the TCRS may be obtained at:  
[https://treasury.tn.gov/Portals/0/Documents/Retirement/CAFR%20Reports/2021/2021TCRSReport\\_Full%20Report.pdf](https://treasury.tn.gov/Portals/0/Documents/Retirement/CAFR%20Reports/2021/2021TCRSReport_Full%20Report.pdf).

**(C) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Plan, which is available to non-seasonal employees, permits employees to defer a portion of their salaries to future years upon completion of six consecutive months of employment. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. Since the assets of the plan are not held in a trustee capacity by the City, the related assets of the plan are not reflected in the statement of net position. No contributions are made to this plan by the City.

**General Information About the OPEB Plan**

*Plan Description* - The City provides certain post-employment benefits to certain retirees. The City will allow retirees and their dependents to participate in the City’s health insurance plan provided the retiree pays the requisite premium. Former employees that have attained the age of 55 and 5 years of qualifying service, or at least 30 years of services regardless of age, may obtain health insurance coverage until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan.

*Benefits Provided* - The City’s healthcare plan is insured and serviced by Humana. 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 Statement No. 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, 2022, the following employees of the City were covered by the benefit terms of The Plan:

Retired employees	7
Disabled employees	-
Beneficiaries	-
Active employees	<u>276</u>
Total participants	<u>283</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

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 by retirees are the only contributions. There are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2023, the City paid \$54,760 to the Plan for OPEB benefits as they came due.

**Total OPEB Liability**

*Actuarial Assumptions* - The total OPEB liability in the July 1, 2021 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	5.50% for 2021, decreasing annually to an ultimate rate of 4.50%.
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

The actuarial demographic assumptions used in the July 1, 2021 valuations 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. Mortality improvements have not been considered in the above table. We do not anticipate mortality improvements in the Southeast U.S. as is being seen in other areas.

*Discount Rate* - The discount rate used to measure the total OPEB liability as of June 30, 2023 was 3.65% (3.54% as of June 30, 2022). 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 20-Bond GO Index.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2022	<u>\$ 1,164,213</u>
Changes for the Year	
Service Cost	24,452
Interest	42,079
Difference between expected and actual experience	(11,047)
Benefit Payments	<u>( 54,760)</u>
Net Changes	<u>724</u>
Balance at June 30, 2023	<u>\$ 1,164,937</u>

*Changes in Assumptions* - The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased 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 (2.65%)</u>	<u>Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
2023	<u>\$1,286,953</u>	<u>\$1,164,937</u>	<u>\$1,060,032</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 or 1-percentage-point higher than the current healthcare cost trend rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (4.5% Decreasing to 3.50%</u>	<u>Cost Trend Rates (5.5% Decreasing) to 4.50%)</u>	<u>1% Increase (6.5% Decreasing to 5.50%)</u>
2023	<u>\$1,038,746</u>	<u>\$1,164,937</u>	<u>\$1,314,358</u>

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

OPEB Expense - For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$6,134.

CITY OF GATLINBURG, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2023

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

*Deferred Outflows of Resources and Deferred Inflows of Resources* - For the fiscal year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of of Resources</u>
Differences between-expected and actual differences	<u>\$41,945</u>	<u>\$66,604</u>

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>	<u>Amount</u>
2024	\$(14,804)
2025	(16,863)
2026	418
2027	4,429
2028	3,602
Thereafter	<u>( 1,442)</u>
Total	<u>\$(24,660)</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**





**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS-LEGACY PLAN**  
**LAST FISCAL YEAR ENDED JUNE 30,**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 574,888	\$ 566,006	\$ 592,727	\$ 609,912	\$ 674,246	\$ 707,862	\$ 744,068	\$ 770,068	\$ 764,023
Interest	4,658,693	4,508,860	4,343,634	4,201,436	4,073,333	3,920,255	3,787,658	3,642,131	3,465,188
Change in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	811,869	202,709	45,688	(433,691)	(794,254)	(108,066)	(1,104,493)	(950,793)	(503,091)
Change in assumptions	-	4,462,439	-	-	-	1,269,169	-	-	-
Benefit payments, including refunds of member contributions	(3,023,440)	(2,821,335)	(2,531,386)	(2,266,855)	(1,977,259)	(1,706,265)	(1,539,838)	(1,450,273)	(1,295,573)
<b>Net Change in Total Pension Liability</b>	<b>3,022,010</b>	<b>6,918,679</b>	<b>2,450,663</b>	<b>2,110,802</b>	<b>1,976,066</b>	<b>4,082,955</b>	<b>1,887,395</b>	<b>2,011,133</b>	<b>2,430,547</b>
<b>Total Pension Liability - Beginning</b>	<b>69,954,511</b>	<b>63,035,832</b>	<b>60,585,169</b>	<b>58,474,367</b>	<b>56,498,301</b>	<b>52,415,346</b>	<b>50,527,951</b>	<b>48,516,818</b>	<b>46,086,271</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 72,976,521</b>	<b>\$ 69,954,511</b>	<b>\$ 63,035,832</b>	<b>\$ 60,585,169</b>	<b>\$ 58,474,367</b>	<b>\$ 56,498,301</b>	<b>\$ 52,415,346</b>	<b>\$ 50,527,951</b>	<b>\$ 48,516,818</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	105,323	331,802	583,976	638,319	675,369	1,583,741	1,656,808	1,713,616	1,705,792
Contributions - Member	-	190	-	260	-	-	-	6,369	196,239
Net Investment Income	(3,116,924)	17,264,941	3,268,195	4,691,041	4,942,200	6,134,279	1,399,269	1,570,960	7,166,033
Benefit Payments, Including Refunds of Member Contributions	(3,023,440)	(2,821,335)	(2,531,386)	(2,266,855)	(1,977,259)	(1,706,265)	(1,539,838)	(1,450,273)	(1,295,573)
Administrative Expenses	(12,620)	(12,645)	(13,800)	(15,133)	(17,581)	(17,049)	(17,153)	(12,477)	(11,546)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(6,047,661)</b>	<b>14,762,953</b>	<b>1,306,985</b>	<b>3,047,632</b>	<b>3,622,729</b>	<b>5,994,706</b>	<b>1,499,086</b>	<b>1,828,195</b>	<b>7,760,945</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>82,940,391</b>	<b>68,177,438</b>	<b>66,870,453</b>	<b>63,822,821</b>	<b>60,200,092</b>	<b>54,205,386</b>	<b>52,706,300</b>	<b>50,878,105</b>	<b>43,117,160</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 76,892,730</b>	<b>\$ 82,940,391</b>	<b>\$ 68,177,438</b>	<b>\$ 66,870,453</b>	<b>\$ 63,822,821</b>	<b>\$ 60,200,092</b>	<b>\$ 54,205,386</b>	<b>\$ 52,706,300</b>	<b>\$ 50,878,105</b>
<b>Net Pension Liability/(Asset) - Ending (a-b)</b>	<b>\$ (3,916,209)</b>	<b>\$ (12,985,880)</b>	<b>\$ (5,141,606)</b>	<b>\$ (6,285,284)</b>	<b>\$ (5,348,454)</b>	<b>\$ (3,701,791)</b>	<b>\$ (1,790,040)</b>	<b>\$ (2,178,349)</b>	<b>\$ (2,361,287)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	105.37%	118.56%	108.16%	110.37%	109.15%	106.55%	103.42%	104.31%	104.87%
<b>Covered payroll</b>	<b>\$ 7,021,488</b>	<b>\$ 7,372,497</b>	<b>\$ 7,834,145</b>	<b>\$ 8,131,449</b>	<b>\$ 8,603,922</b>	<b>\$ 9,393,977</b>	<b>\$ 9,826,858</b>	<b>\$ 10,163,797</b>	<b>\$ 10,319,362</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	-55.77%	-176.14%	-65.63%	-77.30%	-62.16%	-39.41%	-18.22%	-21.43%	-22.88%

Notes: Changes of assumptions - In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

**CITY OF GATLINBURG, TENNESSEE  
SCHEDULES OF CONTRIBUTIONS  
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS-LEGACY PLAN  
LAST FISCAL YEAR ENDED JUNE 30,**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 431,355	\$ 40,023	\$ 331,802	\$ 583,968	\$ 638,319	\$ 675,369	\$ 1,583,740	\$ 1,656,809	\$ 1,713,616	\$ 1,705,792
Contributions in Relation to the Actuarially Determined Contributions	431,355	105,323	331,802	583,968	638,319	675,369	1,583,740	1,656,809	1,713,616	1,705,792
Contribution Deficiency/(Excess)	\$ -	\$ (65,300)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 8,008,462	\$ 7,021,488	\$ 7,372,497	\$ 7,834,145	\$ 8,131,449	\$ 8,603,922	\$ 9,393,977	\$ 9,826,858	\$ 10,163,797	\$ 10,319,362
Contributions as a Percentage of Covered Payroll	5.39%	1.50%	4.50%	7.45%	7.85%	7.85%	16.86%	16.86%	16.86%	16.53%

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

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period:	Various
Asset Valuation:	10-year smoothed within a 20.0% corridor to market value
Inflation	2.25%
Salary Increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation averaging 4.00%
Investment Rate of Return	6.75%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125%

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS-HYBRID PLAN WITH**  
**COST CONTROLS**  
**LAST FISCAL YEAR ENDED JUNE 30,**

	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service Cost	\$ 247,792	\$ 185,327	\$ 182,476	\$ 148,463	\$ 98,706	\$ 65,560	\$ 38,689	\$ 30,401
Interest	91,037	67,316	53,362	36,305	20,966	11,684	4,817	2,280
Differences Between Expected and Actual Experience	90,504	12,721	(29,256)	34,423	48,898	21,346	22,666	(7,150)
Change in Assumptions	-	106,671	-	-	-	5,152	-	-
Benefit Payments, Including Refunds of Member Contributions	(21,121)	(7,488)	(26,417)	(9,473)	(4,029)	(2,949)	-	-
<b>Net Change in Pension Liability</b>	<b>408,212</b>	<b>364,547</b>	<b>180,165</b>	<b>209,718</b>	<b>164,541</b>	<b>100,793</b>	<b>66,172</b>	<b>25,531</b>
<b>Total Pension Liability - Beginning</b>	<b>1,111,467</b>	<b>746,920</b>	<b>566,755</b>	<b>357,037</b>	<b>192,496</b>	<b>91,703</b>	<b>25,531</b>	<b>-</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,519,679</b>	<b>\$ 1,111,467</b>	<b>\$ 746,920</b>	<b>\$ 566,755</b>	<b>\$ 357,037</b>	<b>\$ 192,496</b>	<b>\$ 91,703</b>	<b>\$ 25,531</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	84,324	62,976	41,763	30,142	92,179	63,967	39,019	17,372
Contributions - Member	243,713	182,013	143,530	144,697	115,223	79,960	48,774	21,715
Net Investment Income	(58,796)	261,595	38,975	43,795	31,536	21,797	2,110	554
Benefit Payments, Including Refunds of Member Contributions	(21,121)	(7,488)	(26,417)	(9,473)	(4,029)	(2,949)	-	-
Administrative Expenses	(12,647)	(9,277)	(8,480)	(8,160)	(7,157)	(4,926)	(2,767)	(1,013)
Other	-	-	-	-	-	-	-	(2,094)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>235,473</b>	<b>489,819</b>	<b>189,371</b>	<b>201,001</b>	<b>227,752</b>	<b>157,849</b>	<b>87,136</b>	<b>36,534</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,389,762</b>	<b>899,943</b>	<b>710,572</b>	<b>509,571</b>	<b>281,819</b>	<b>123,670</b>	<b>36,534</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,625,235</b>	<b>\$ 1,389,762</b>	<b>\$ 899,943</b>	<b>\$ 710,572</b>	<b>\$ 509,571</b>	<b>\$ 281,519</b>	<b>\$ 123,670</b>	<b>\$ 36,534</b>
<b>Net Pension Liability/(Asset) - Ending (a-b)</b>	<b>\$ (105,556)</b>	<b>\$ (278,295)</b>	<b>\$ (153,023)</b>	<b>\$ (143,817)</b>	<b>\$ (152,534)</b>	<b>\$ (89,023)</b>	<b>\$ (31,967)</b>	<b>\$ (11,003)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>106.95%</b>	<b>125.04%</b>	<b>120.49%</b>	<b>125.38%</b>	<b>142.72%</b>	<b>146.25%</b>	<b>134.86%</b>	<b>143.10%</b>
<b>Covered payroll</b>	<b>\$ 4,874,228</b>	<b>\$ 3,640,243</b>	<b>\$ 3,252,147</b>	<b>\$ 2,893,908</b>	<b>\$ 2,304,461</b>	<b>\$ 1,599,179</b>	<b>\$ 975,467</b>	<b>\$ 434,293</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>-2.17%</b>	<b>-7.64%</b>	<b>-4.71%</b>	<b>-4.97%</b>	<b>-6.62%</b>	<b>-5.57%</b>	<b>-3.28%</b>	<b>-2.53%</b>

Notes: Changes of assumptions - In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements

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

**CITY OF GATLINBURG, TENNESSEE  
SCHEDULES OF CONTRIBUTIONS  
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN  
OF TCRS-HYBRID PLAN WITH COST CONTROLS  
LAST FISCAL YEAR ENDED JUNE 30,**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 170,036	\$ 84,324	\$ 62,976	\$ 41,763	\$ 30,142	\$ 292,368	\$ 22,069	\$ 19,509	\$ 8,686
Contributions in Relation to the Actuarially Determined Contributions	<u>170,036</u>	<u>84,324</u>	<u>62,976</u>	<u>41,763</u>	<u>30,142</u>	<u>92,179</u>	<u>63,967</u>	<u>39,019</u>	<u>17,372</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,189</u>	<u>\$ (41,898)</u>	<u>\$ (19,510)</u>	<u>\$ (8,686)</u>
Covered Employee Payroll	6,718,899	4,874,228	3,640,243	\$ 3,252,147	\$ 2,893,908	\$ 2,304,461	\$ 1,599,179	\$ 975,467	\$ 434,293
Contributions as a Percentage of Covered Payroll	2.53%	1.73%	1.73%	1.28%	1.04%	4.00%	4.00%	4.00%	4.00%

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

\* In FY 2023 the City placed the actuarially determined contribution rate (2.53%) of covered payroll into the pension plan and placed 1.73 percent of covered payroll into the Pension Stabilization Reserve Trust.

\*\* In FY 2022 the City placed the actuarially determined contribution rate (1.75%) of covered payroll into the pension plan and placed 2.25 percent of covered payroll into the Pension Stabilization Reserve Trust.

\*\*\* In FY 2021 the City placed the actuarially determined contribution rate (1.73%) of covered payroll into the pension plan and placed 2.27 percent of covered payroll into the Pension Stabilization Reserve Trust.

\*\*\*\* In FY 2020 the City placed the actuarially determined contribution rate (1.28%) of covered payroll into the pension plan and placed 2.72 percent of covered payroll into the Pension Stabilization Reserve Trust.

\*\*\*\*\* In FY 2019 the City placed the actuarially determined contribution rate (1.04%) of covered payroll into the pension plan and placed 2.96 percent of covered payroll into the Pension Stabilization Reserve Trust.

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period:	Varies by year
Asset Valuation:	10-year smoothed within a 20.0% corridor to market value
Inflation	2.25%
Salary Increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	6.75%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.13%

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST FISCAL YEAR ENDED JUNE 30**

<b>Total OPEB liability</b>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 24,452	\$ 33,367	\$ 27,854	\$ 21,439	\$ 25,853	\$ 23,339
Interest	42,079	29,546	25,211	34,967	43,521	45,359
Differences between expected and actual experience	(11,047)	39,891	7,727	(155,257)	44,016	(33,073)
Benefit payments	<u>(54,760)</u>	<u>(54,760)</u>	<u>(57,561)</u>	<u>(57,558)</u>	<u>(61,648)</u>	<u>(61,647)</u>
<b>Net change in Total OPEB Liability</b>	724	48,044	3,231	(156,409)	51,742	(26,022)
<b>Total OPEB liability- beginning</b>	<u>1,164,213</u>	<u>1,116,169</u>	<u>1,112,938</u>	<u>1,269,347</u>	<u>1,217,605</u>	<u>1,243,627</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 1,164,937</u></u>	<u><u>\$ 1,164,213</u></u>	<u><u>\$ 1,116,169</u></u>	<u><u>\$ 1,112,938</u></u>	<u><u>\$ 1,269,347</u></u>	<u><u>\$ 1,217,605</u></u>
<b>Covered payroll</b>	\$ 16,513,264	\$ 13,201,262	\$ 12,380,090	\$ 12,580,462	\$ 12,595,347	\$ 12,393,063
<b>Total OPEB liability (Asset) as a percentage of covered payroll</b>	7.05%	8.82%	9.02%	8.85%	10.08%	9.82%

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.

**SUPPLEMENTARY INFORMATION SECTION**



**CITY OF GATLINBURG, TENNESSEE  
CONVENTION CENTER DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes:</b>				
3/4 % Local Option Tax Increase	\$ 3,908,657	\$ 3,908,657	\$ 4,506,443	\$ 597,786
1/3 Hotel / Motel Tax	3,327,646	3,327,646	3,686,721	359,075
<b>Total Taxes</b>	<u>7,236,303</u>	<u>7,236,303</u>	<u>8,193,164</u>	<u>956,861</u>
<b>Use of Money and Property:</b>				
Interest Income	99,500	99,500	755,838	656,338
<b>Total Use of Money and Property</b>	<u>99,500</u>	<u>99,500</u>	<u>755,838</u>	<u>656,338</u>
<b>Intergovernmental:</b>				
State Sales Tax	1,407,475	1,407,475	1,441,798	34,323
<b>Total Intergovernmental</b>	<u>1,407,475</u>	<u>1,407,475</u>	<u>1,441,798</u>	<u>34,323</u>
<b>Total Revenues</b>	<u>8,743,278</u>	<u>8,743,278</u>	<u>10,390,800</u>	<u>1,647,522</u>
<b>EXPENDITURES</b>				
<b>Debt Service:</b>				
Principal	1,435,000	1,435,000	1,435,000	-
Interest	908,188	908,188	908,188	-
Paying Agent Fees	1,000	1,000	1,000	-
Legal and Issue Costs	-	-	-	-
<b>Total Debt Service</b>	<u>2,344,188</u>	<u>2,344,188</u>	<u>2,344,188</u>	<u>-</u>
<b>Total Expenditures</b>	<u>2,344,188</u>	<u>2,344,188</u>	<u>2,344,188</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>6,399,090</u>	<u>6,399,090</u>	<u>8,046,612</u>	<u>1,647,522</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to Department of Tourism	(2,949,818)	(2,982,818)	(2,949,818)	33,000
<b>Total Other Financing Uses</b>	<u>(2,949,818)</u>	<u>(2,982,818)</u>	<u>(2,949,818)</u>	<u>33,000</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses</b>	<u>3,449,272</u>	<u>3,416,272</u>	<u>5,096,794</u>	<u>1,680,522</u>
<b>Fund Balance - Beginning of Year</b>	<u>15,935,984</u>	<u>15,935,984</u>	<u>15,935,984</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 19,385,256</u>	<u>\$ 19,352,256</u>	<u>\$ 21,032,778</u>	<u>\$ 1,680,522</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
PUBLIC WORKS CONSTRUCTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Project Authorization	Prior Years	Current Year	Total To Date
<b>REVENUES</b>				
Wildfires Memorial Fund			\$ 76,625	
<b>Total Revenues</b>			76,625	
<b>EXPENDITURES</b>				
<b>Capital Outlay:</b>				
Herbert Holt Park Renovations	\$ 1,895,599	\$ 12,158	\$ 1,113,023	\$ 1,125,181
Public Works Complex	6,093,065	22,325	1,389,065	1,411,390
Traffic Signal Management System	350,000	61,950	3,025	64,975
Public Restrooms Renovation	693,000	7,800	175,198	182,998
Transfer Station Upgrade	792,000	158,305	614,280	772,585
Bishop Lane Bridge Replacement	375,100	231,971	74,840	306,811
Winters Lights Refurbish	848,816	629,251	171,368	800,619
Stone Fence Lane Slope and Roadway Repair	570,000	10,320	490,729	501,049
Mills Park Basketball/Soccer Court	310,000	174,044	123,097	297,141
Mynatt Park Renovations	451,000	184,015	429,766	613,781
Golf Course Irrigation System Repair	1,326,781	1,284,291	42,490	1,326,781
Dog Park at Mills Park	445,000	432,001	12,897	444,898
Winter Lights Refurbish	1,320,000	765,868	114,118	879,986
Ivy Road Slope Repair	495,000	434,225	67,970	502,195
City Hall Repairs/Renovations	619,080	305,265	640,297	945,562
Convention Center Additions and Renovations	13,190,413	10,052,792	3,129,877	13,182,669
Walnut Street Repair - Water Main Break	-	-	67,909	67,909
Connector Path - GP Junior High Shool to Community Center	195,000	-	4,897	4,897
Underground Utilities Study 2023	50,000	-	40,500	40,500
Fire Station #1 Renovation	1,000,000	-	6,398	6,398
Renovation of Fire Halls #2 and #3	500,000	-	79,424	79,424
Field #6 Renovation - Concession and Restrooms	1,585,000	-	73,345	73,345
Field #7 Bleachers, Press Box, and Scoreboard	585,000	-	184,309	184,309
Bowling Center Renovations	1,000,000	-	7,781	7,781
Holly Branch Drainage Improvements	531,000	-	493,591	493,591
Kingwood Property Development	582,850	-	157,582	157,582
Water Tower Road Slope Repair	-	-	191,058	191,058
Aquarium Garage Renovation	3,459,494	-	714,610	714,610
Downtown and City Hall Fiber Connections	175,000	-	137,092	137,092
Glades Road Drainage Project	586,650	-	20,600	20,600
Community Center Pool Humidifications System	175,100	-	169,461	169,461
Golf Course Wash Pad	140,000	-	102,164	102,164
<b>Total Capital Outlay</b>		\$ 11,990,151	11,042,761	\$ 15,955,310
<b>Total Expenditures</b>			11,042,761	
<b>Deficiency of Revenues Under Expenditures</b>			(10,966,136)	
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds			7,702,080	
Transfers From Component Unit			234,000	
<b>Total Other Financing Sources (Uses)</b>			7,936,080	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>			(3,030,056)	
<b>Fund Balance - Beginning of Year</b>			21,157,808	
<b>Fund Balance - End of Year</b>			\$ 18,127,752	

See the independent auditor's report.



**CITY OF GATLINBURG, TENNESSEE  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2023**

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Asset Forfeiture/ Donation Fund	Contingency Fund	Hotel/ Motel Tax Fund	School Fund	Sinking Fund	Grant Financed Projects Fund	Vehicle Replacement Fund	
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ -	\$ 1,561	\$ -	\$ -	\$ -	\$ 458,967	\$ -	\$ -	\$ 460,528
Cash Restricted or Held for Long-Term Purposes	589,464	-	136,550	-	1,816,411	-	282,362	2,073,027	4,897,814
Receivables:									
Other Tax and Nonexchange Revenue	27,478	-	-	357,091	93,072	-	-	-	477,641
Due From Other Governments	28,118	-	-	-	109,541	-	1,038,331	-	1,175,990
Due From Other Funds	-	-	-	-	-	-	-	38,268	38,268
TCRS Stabilization Trust	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 645,060</u>	<u>\$ 1,561</u>	<u>\$ 136,550</u>	<u>\$ 357,091</u>	<u>\$ 2,019,024</u>	<u>\$ 458,967</u>	<u>\$ 1,320,693</u>	<u>\$ 2,111,295</u>	<u>\$ 7,050,241</u>
<b>LIABILITIES AND FUND BALANCE</b>									
<b>LIABILITIES</b>									
Accounts Payable:									
Trade	\$ 38,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,620	\$ 194,876	\$ 264,794
Accrued Liabilities	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>38,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,620</u>	<u>194,876</u>	<u>264,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>27,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,550</u>
<b>FUND BALANCE</b>									
Restricted	579,284	1,561	136,550	-	1,925,952	-	1,289,073	-	3,932,420
Unrestricted									
Assigned	-	-	-	-	-	458,967	-	-	458,967
Committed	-	-	-	357,091	-	-	-	1,916,419	2,273,510
<b>TOTAL FUND BALANCE</b>	<u>579,284</u>	<u>1,561</u>	<u>136,550</u>	<u>357,091</u>	<u>1,925,952</u>	<u>458,967</u>	<u>1,289,073</u>	<u>1,916,419</u>	<u>6,664,897</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 645,060</u>	<u>\$ 1,561</u>	<u>\$ 136,550</u>	<u>\$ 357,091</u>	<u>\$ 2,019,024</u>	<u>\$ 458,967</u>	<u>\$ 1,320,693</u>	<u>\$ 2,111,295</u>	<u>\$ 7,050,241</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
JUNE 30, 2023**

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds	
	State Street Aid Fund	Asset Forfeiture/ Donation Fund	Contingency Fund	Hotel/ Motel Tax Fund	School Fund	Sinking Fund	Grant Financed Projects Fund		Vehicle Replacement Fund
<b>REVENUES</b>									
Local Taxes	\$ -	\$ -	\$ -	\$ 3,686,721	\$ -	\$ -	\$ -	\$ -	\$ 3,686,721
Intergovernmental	322,675	-	-	-	1,444,264	-	1,001,183	-	2,768,122
Use of Money and Property	-	59	2,961	-	101,487	17,387	-	-	121,894
Charges for Services	-	-	-	-	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	91,397	-	-	-	-	-	91,397
Contributions and Donations	-	-	-	-	-	-	-	-	-
Miscellaneous Income	-	-	9,826	-	-	-	103,917	140,265	254,008
<b>Total Revenues</b>	<u>322,675</u>	<u>59</u>	<u>104,184</u>	<u>3,686,721</u>	<u>1,545,751</u>	<u>17,387</u>	<u>1,105,100</u>	<u>140,265</u>	<u>6,922,142</u>
<b>EXPENDITURES</b>									
Public Safety	-	-	11,841	-	-	-	-	-	11,841
Public Works	163,918	-	-	-	-	-	-	-	163,918
Parking / Mass Transit	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	1,011,311	-	-	-	1,011,311
Capital Outlay	753,735	-	-	-	-	-	1,270,742	1,501,420	3,525,897
Grant Match for Gatlinburg-Pigeon Forge Airport Authority	-	-	-	-	-	-	30,000	-	30,000
<b>Total Expenditures</b>	<u>917,653</u>	<u>-</u>	<u>11,841</u>	<u>-</u>	<u>1,011,311</u>	<u>-</u>	<u>1,300,742</u>	<u>1,501,420</u>	<u>4,742,967</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(594,978)</u>	<u>59</u>	<u>92,343</u>	<u>3,686,721</u>	<u>534,440</u>	<u>17,387</u>	<u>(195,642)</u>	<u>(1,361,155)</u>	<u>2,179,175</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating Transfers In	468,000	-	-	-	-	-	1,066,000	1,466,000	3,000,000
Operating Transfers Out	-	-	-	(3,692,282)	(645,000)	-	-	-	(4,337,282)
<b>Total Other Financing Sources (Uses)</b>	<u>468,000</u>	<u>-</u>	<u>-</u>	<u>(3,692,282)</u>	<u>(645,000)</u>	<u>-</u>	<u>1,066,000</u>	<u>1,466,000</u>	<u>(1,337,282)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(126,978)</u>	<u>59</u>	<u>92,343</u>	<u>(5,561)</u>	<u>(110,560)</u>	<u>17,387</u>	<u>870,358</u>	<u>104,845</u>	<u>841,893</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>706,262</u>	<u>1,502</u>	<u>44,207</u>	<u>362,652</u>	<u>2,036,512</u>	<u>441,580</u>	<u>418,715</u>	<u>1,811,574</u>	<u>5,823,004</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 579,284</u>	<u>\$ 1,561</u>	<u>\$ 136,550</u>	<u>\$ 357,091</u>	<u>\$ 1,925,952</u>	<u>\$ 458,967</u>	<u>\$ 1,289,073</u>	<u>\$ 1,916,419</u>	<u>\$ 6,664,897</u>

**CITY OF GATLINBURG, TENNESSEE  
STATE STREET AID FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
State City Street and Transportation Funds	\$ 315,000	\$ 315,000	\$ 304,172	\$ (10,828)
Additional 3 Cent Gas Tax	17,000.00	17,000	18,503	1,503
<b>Total Intergovernmental</b>	<u>332,000</u>	<u>332,000</u>	<u>322,675</u>	<u>(9,325)</u>
<b>EXPENDITURES</b>				
<b>Maintenance:</b>				
Street Repair and Maintenance	65,195	65,195	31,891	33,304
Traffic Signal Maintenance	26,456	26,456	12,737	13,719
Street Striping and Painting	99,549	119,549	119,289	260
<b>Total Maintenance</b>	<u>191,200</u>	<u>211,200</u>	<u>163,917</u>	<u>47,283</u>
<b>Capital Outlay:</b>				
Equipment Purchase / Replacement	1,155,858	1,135,858	753,735	382,123
<b>Total Capital Outlay</b>	<u>1,155,858</u>	<u>1,135,858</u>	<u>753,735</u>	<u>382,123</u>
<b>Total Expenditures</b>	<u>1,347,058</u>	<u>1,347,058</u>	<u>917,652</u>	<u>429,406</u>
<b>Excess (Deficiency) of Revenues (Over) Under Expenditures</b>	<u>(1,015,058)</u>	<u>(1,015,058)</u>	<u>(594,977)</u>	<u>420,081</u>
<b>Other Financing Sources (Uses):</b>				
Transfer From Other Funds	468,000	468,000	468,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>468,000</u>	<u>468,000</u>	<u>468,000</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(547,058)</u>	<u>(547,058)</u>	<u>(126,977)</u>	<u>420,081</u>
<b>Fund Balance - Beginning of Year</b>	<u>706,261</u>	<u>706,261</u>	<u>706,261</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 159,203</u>	<u>\$ 159,203</u>	<u>\$ 579,284</u>	<u>\$ 420,081</u>

See the independent auditor's report.

CITY OF GATLINBURG, TENNESSEE  
ASSET FORFEITURE/DONATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Use of Money and Property:</b>				
Interest Income	\$ 10	\$ 10	\$ 59	\$ 49
<b>Total Use of Money and Property</b>	<u>10</u>	<u>10</u>	<u>59</u>	<u>49</u>
<b>Total Revenues</b>	<u>10</u>	<u>10</u>	<u>59</u>	<u>49</u>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	10	10	59	49
<b>Fund Balance - Beginning of Year</b>	<u>1,502</u>	<u>1,502</u>	<u>1,502</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,512</u>	<u>\$ 1,512</u>	<u>\$ 1,561</u>	<u>\$ 49</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
CONTINGENCY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Use of Money and Property:</b>				
Interest Income	\$ 300	\$ 300	\$ 2,961	\$ 2,661
Miscellaneous Income	-	-	9,826	9,826
<b>Total Use of Money and Property</b>	<u>300</u>	<u>300</u>	<u>12,787</u>	<u>12,487</u>
<b>Fines, Forfeitures and Penalties:</b>				
Fines and Forfeitures and Penalties	5,200	5,200	91,397	86,197
<b>Total Fines, Forfeitures and Penalties</b>	<u>5,200</u>	<u>5,200</u>	<u>91,397</u>	<u>86,197</u>
<b>Total Revenues</b>	<u>5,500</u>	<u>5,500</u>	<u>104,184</u>	<u>98,684</u>
<b>EXPENDITURES</b>				
<b>Public Safety:</b>				
Miscellaneous	15,000	15,000	11,841	3,159
<b>Total Public Safety</b>	<u>15,000</u>	<u>15,000</u>	<u>11,841</u>	<u>3,159</u>
<b>Total Expenditures</b>	<u>15,000</u>	<u>15,000</u>	<u>11,841</u>	<u>3,159</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(9,500)	(9,500)	92,343	101,843
<b>Fund Balance - Beginning of Year</b>	<u>44,207</u>	<u>44,207</u>	<u>44,207</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 34,707</u>	<u>\$ 34,707</u>	<u>\$ 136,550</u>	<u>\$ 101,843</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
HOTEL/MOTEL TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Local Taxes:</b>				
1/3 Hotel / Motel Tax	\$ 3,327,646	\$ 3,327,646	\$ 3,686,721	\$ 359,075
<b>Total Local Taxes</b>	<u>3,327,646</u>	<u>3,327,646</u>	<u>3,686,721</u>	<u>359,075</u>
<b>Total Revenues</b>	<u>3,327,646</u>	<u>3,327,646</u>	<u>3,686,721</u>	<u>359,075</u>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	3,327,646	3,327,646	3,686,721	359,075
<b>Other Financing Uses</b>				
Transfer to Department of Tourism	(3,327,646)	(3,548,646)	(3,692,282)	(143,636)
<b>Total Other Financing Uses</b>	<u>(3,327,646)</u>	<u>(3,548,646)</u>	<u>(3,692,282)</u>	<u>(143,636)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses</b>	-	(221,000)	(5,561)	215,439
<b>Fund Balance - Beginning of Year</b>	<u>362,652</u>	<u>362,652</u>	<u>362,652</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 362,652</u>	<u>\$ 141,652</u>	<u>\$ 357,091</u>	<u>\$ 215,439</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
SCHOOL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
State Mixed Drink Tax	\$ 1,302,000	\$ 1,302,000	\$ 1,444,264	\$ 142,264
<b>Total Intergovernmental</b>	<u>1,302,000</u>	<u>1,302,000</u>	<u>1,444,264</u>	<u>142,264</u>
<b>Use of Money and Property:</b>				
Interest Income	14,000	14,000	101,487	87,487
<b>Total Use of Money and Property</b>	<u>14,000</u>	<u>14,000</u>	<u>101,487</u>	<u>87,487</u>
<b>Total Revenues</b>	<u>1,316,000</u>	<u>1,316,000</u>	<u>1,545,751</u>	<u>229,751</u>
<b>EXPENDITURES</b>				
<b>Education:</b>				
Gatlinburg-Pittman High School	331,073	431,073	413,347	17,726
Gatlinburg Junior High School	274,431	274,431	272,874	1,557
Pi Beta Phi Elementary School	325,090	575,090	325,090	250,000
<b>Total Education</b>	<u>930,594</u>	<u>1,280,594</u>	<u>1,011,311</u>	<u>269,283</u>
<b>Total Expenditures</b>	<u>930,594</u>	<u>1,280,594</u>	<u>1,011,311</u>	<u>269,283</u>
<b>Excess of Revenues Over Expenditures</b>	385,406	35,406	534,440	499,034
<b>Other Financing Uses</b>				
Transfer to Public Works Construction Fund	(3,327,646)	(3,548,646)	(645,000)	2,903,646
<b>Total Other Financing Uses</b>	<u>(3,327,646)</u>	<u>(3,548,646)</u>	<u>(645,000)</u>	<u>2,903,646</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses</b>	(2,942,240)	(3,513,240)	(110,560)	3,402,680
<b>Fund Balance - Beginning of Year</b>	<u>2,036,512</u>	<u>2,036,512</u>	<u>2,036,512</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,421,918</u>	<u>\$ 2,071,918</u>	<u>\$ 1,925,952</u>	<u>\$ 499,034</u>

See the independent auditor's report.

CITY OF GATLINBURG, TENNESSEE  
SINKING FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
<b>Use of Money and Property:</b>				
Interest Income	\$ 2,600	\$ 2,600	\$ 17,387	\$ 14,787
<b>Total Use of Money and Property</b>	<u>2,600</u>	<u>2,600</u>	<u>17,387</u>	<u>14,787</u>
<b>Total Revenues</b>	<u>2,600</u>	<u>2,600</u>	<u>17,387</u>	<u>14,787</u>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	2,600	2,600	17,387	14,787
<b>Fund Balance - Beginning of Year</b>	<u>441,580</u>	<u>441,580</u>	<u>441,580</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 444,180</u>	<u>\$ 444,180</u>	<u>\$ 458,967</u>	<u>\$ 14,787</u>



**CITY OF GATLINBURG, TENNESSEE  
GRANT FINANCED PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Project Authorization	Prior Years	Current Year	Total To Date
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
State of Tennessee VCIF Body Camera			101,107	
Wildfires Memorial TDOT Grant Project			849,661	
TDOT 2021 Improve Act Site Development			50,415	
<b>Total Intergovernmental</b>			1,001,183	
<b>Miscellaneous:</b>				
Miscellaneous Income			103,917	
<b>Total Miscellaneous</b>			103,917	
<b>Total Revenues</b>			1,105,100	
<b>EXPENDITURES</b>				
<b>Capital Outlay:</b>				
TDOT 2020 Grant Improve Act	635,810	27,500	-	27,500
Local Government Support Grant	121,452	118,619	1,260	119,879
Wildfires Memorial TDOT Grant	1,333,531	186,832	1,034,155	1,220,987
State of Tennessee VCIF Body Camera	101,107	-	101,107	101,107
TDOT 2021 Improve Act Site Development	795,698	-	67,220	67,220
EDA ARPA Traffic Signal Upgrades	1,036,000	-	67,000	67,000
<b>Total Capital Outlay</b>		\$ 332,951	1,270,742	\$ 1,603,693
<b>Other:</b>				
Grant Match for Gatlinburg-Pigeon Forge Airport Authority	30,000	61,008	30,000	91,008
<b>Total Expenditures</b>			1,300,742	
<b>Excess of Revenues Over Expenditures</b>			(195,642)	
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds			1,066,000	
<b>Total Other Financing Sources (Uses)</b>			1,066,000	
<b>Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</b>			870,358	
<b>Fund Balance - Beginning of Year, as restated</b>			418,715	
<b>Fund Balance - End of Year</b>			\$ 1,289,073	

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
VEHICLE REPLACEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Project Authorization	Current Year
<b>REVENUES</b>		
<b>Miscellaneous:</b>		
Miscellaneous Income		\$ 140,265
<b>Total Miscellaneous</b>		140,265
<b>Total Revenues</b>		140,265
<b>EXPENDITURES</b>		
<b>Capital Outlay:</b>		
Equipment Purchase/Replacement	\$ 2,100,000	1,501,420
<b>Total Capital Outlay</b>		1,501,420
<b>Total Expenditures</b>		1,501,420
<b>Deficiency of Revenues Under Expenditures</b>		(1,361,155)
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds		1,466,000
<b>Total Other Financing Sources (Uses)</b>		1,466,000
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>		104,845
<b>Fund Balance - Beginning of Year</b>		1,811,574
<b>Fund Balance - End of Year</b>		\$ 1,916,419

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**JUNE 30, 2023**

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2023
<b>Governmental Activities</b>									
<b>Bonds Payable</b>									
<u>Payable through Special Tax Fund</u>									
Series 2019A General Obligation Refunding Bond	6,850,000	3.00 - 5.00 %	10/25/2019	5/1/2031	\$ 5,895,000	\$ -	\$ 650,000	\$ -	\$ 5,245,000
Total Payable through Special Tax Fund					5,895,000	-	650,000	-	5,245,000
<u>Payable through Convention Center Debt Service Fund</u>									
Series 2020A General Obligation Bond	* 23,330,000	2.00 - 5.00 %	5/29/2020	6/1/2039	21,090,000	-	1,205,000	-	19,885,000
Series 2020B General Obligation Bond	4,550,000	1.00 - 2.00 %	12/11/2020	6/1/2040	4,095,000	-	230,000	-	3,865,000
Total Payable through Convention Center Debt Service Fund					25,185,000	-	1,435,000	-	23,750,000
<b>Total Governmental Activities</b>					<b>\$ 31,080,000</b>	<b>\$ -</b>	<b>\$ 2,085,000</b>	<b>\$ -</b>	<b>\$ 28,995,000</b>
<b>Business-Type Activities</b>									
<b>Bonds Payable</b>									
<u>Payable through Water Fund</u>									
Series 2020A General Obligation Bond	* 2,420,000	2.00 - 5.00 %	5/29/2020	6/1/2039	\$ 2,245,000	\$ -	\$ 95,000	\$ -	\$ 2,150,000
Total Payable through Water Fund					2,245,000	-	95,000	-	2,150,000
<u>Payable through Wastewater Fund</u>									
Series 2016 General Obligation Bond	3,650,000	2.00 - 2.20 %	10/20/2016	6/1/2037	1,965,000	-	115,000	-	1,850,000
Series 2020A General Obligation Bond	* 1,635,000	2.00 - 5.00 %	5/29/2020	6/1/2039	1,520,000	-	65,000	-	1,455,000
Series 2021 General Obligation Bond	9,685,000	2.00 - 3.00 %	12/10/2021	6/1/2051	9,685,000	-	-	-	9,685,000
Series 2022 General Obligation Bond	9,820,000	3.00 - 5.00 %	5/20/2022	3/1/2052	9,820,000	-	-	-	9,820,000
Total Payable through Sewer Fund					22,990,000	-	180,000	-	22,810,000
<b>Total Business-Type Activities</b>					<b>\$ 25,235,000</b>	<b>\$ -</b>	<b>\$ 275,000</b>	<b>\$ -</b>	<b>\$ 24,960,000</b>

\*Total issue \$27,385,000 - allocated between governmental and business - type activities.

**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

Fiscal Year Ended June 30,	Existing Debt Principal	Interest	Total
2024	\$ 2,360,000	\$ 1,818,274	\$ 4,178,274
2025	2,705,000	1,705,724	4,410,724
2026	2,760,000	1,579,174	4,339,174
2027	2,870,000	1,449,974	4,319,974
2028-2032	15,455,000	5,258,170	20,713,170
2033-2037	14,455,000	3,118,259	17,573,259
2038-2042	4,835,000	1,706,097	6,541,097
2043-2047	4,165,000	1,105,210	5,270,210
2048-2052	4,350,000	421,518	4,771,518
	<u>\$ 53,955,000</u>	<u>\$ 18,162,400</u>	<u>\$ 72,117,400</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

**Governmental Activities**

For the Year Ended June 30,	\$6,850,000 General Obligation Bonds		\$27,385,000 (\$23,330,300 Refunding Portion) General Obligation Bonds		\$4,550,000 General Obligation Convention Center Debt Service Fund		Total Governmental Activities	
	Series 2019A, Dated 10/25/19		Series 2020A, Dated 5/29/20		Series 2020B, Dated 12/11/20		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2023-2024	\$ 685,000	\$ 227,850	\$ 1,065,000	\$ 697,488	\$ 230,000	\$ 138,950	\$ 1,980,000	\$ 1,064,288
2024-2025	710,000	193,600	1,120,000	644,238	230,000	127,450	2,060,000	965,288
2025-2026	570,000	158,100	1,180,000	588,238	230,000	115,950	1,980,000	862,288
2026-2027	600,000	129,600	1,230,000	529,238	230,000	104,450	2,060,000	763,288
2027-2028	630,000	99,600	1,300,000	467,738	230,000	92,950	2,160,000	660,288
2028-2029	660,000	68,100	1,365,000	402,738	230,000	81,450	2,255,000	552,288
2029-2030	685,000	41,700	1,435,000	334,488	230,000	74,550	2,350,000	450,738
2030-2031	705,000	21,150	1,505,000	262,738	230,000	67,650	2,440,000	351,538
2031-2032	-	-	1,525,000	232,638	225,000	60,750	1,750,000	293,388
2032-2033	-	-	1,560,000	200,231	225,000	54,000	1,785,000	254,231
2033-2034	-	-	1,595,000	165,131	225,000	47,250	1,820,000	212,381
2034-2035	-	-	1,635,000	127,250	225,000	40,500	1,860,000	167,750
2035-2036	-	-	1,670,000	86,375	225,000	33,750	1,895,000	120,125
2036-2037	-	-	1,700,000	44,625	225,000	27,000	1,925,000	71,625
2037-2038	-	-	-	-	225,000	20,250	225,000	20,250
2038-2039	-	-	-	-	225,000	13,500	225,000	13,500
2039-2040	-	-	-	-	225,000	6,750	225,000	6,750
	<u>\$ 5,245,000</u>	<u>\$ 939,700</u>	<u>\$ 19,885,000</u>	<u>\$ 4,783,154</u>	<u>\$ 3,865,000</u>	<u>\$ 1,107,150</u>	<u>\$ 28,995,000</u>	<u>\$ 6,830,004</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
JUNE 30, 2023**

**Business-Type Activities**

For the Year Ended June 30,	\$3,650,000 General Obligation Bonds Series 2016, Dated 10/20/16		\$27,385,000 General Obligation Bonds Series 2020A, Dated 5/29/20 (\$2,420,000 Water Fund Portion)		\$27,385,000 General Obligation Bonds Series 2020A, Dated 5/29/20 (\$1,635,000 Sewer Fund Portion)		\$9,685,000 General Obligation Bonds Series 2021, Dated 12/10/2021		\$9,820,000 General Obligation Bonds Series 2022, Dated 5/20/2022		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2023-2024	\$ 115,000	\$ 37,885	\$ 100,000	\$ 73,013	\$ 65,000	\$ 49,363	\$ 100,000	\$ 227,331	\$ -	\$ 366,394	\$ 380,000
2024-2025	120,000	35,585	100,000	68,013	70,000	46,113	255,000	224,331	100,000	366,394	645,000	740,436
2025-2026	120,000	33,185	110,000	63,013	75,000	42,613	260,000	216,681	215,000	361,394	780,000	716,886
2026-2027	125,000	30,785	115,000	57,513	75,000	38,863	270,000	208,881	225,000	350,644	810,000	686,686
2027-2028	125,000	28,285	120,000	51,763	80,000	35,113	275,000	200,781	235,000	339,394	835,000	655,336
2028-2029	125,000	25,785	125,000	45,763	85,000	31,113	285,000	192,531	245,000	327,644	865,000	622,836
2029-2030	130,000	23,285	130,000	39,513	90,000	26,863	295,000	183,981	260,000	315,394	905,000	589,036
2030-2031	130,000	20,685	135,000	33,013	95,000	22,363	305,000	175,131	270,000	302,394	935,000	553,586
2031-2032	135,000	18,085	140,000	30,313	95,000	20,463	310,000	165,981	280,000	294,294	960,000	529,136
2032-2033	140,000	15,385	145,000	27,338	95,000	18,444	320,000	159,781	290,000	285,894	990,000	506,842
2033-2034	140,000	12,585	145,000	24,075	100,000	16,306	325,000	153,381	295,000	277,194	1,005,000	483,541
2034-2035	145,000	9,645	150,000	20,631	100,000	13,931	330,000	146,881	305,000	268,344	1,030,000	459,432
2035-2036	150,000	6,600	155,000	16,881	105,000	11,431	340,000	140,282	315,000	259,194	1,065,000	434,388
2036-2037	150,000	3,300	155,000	13,006	105,000	8,806	345,000	133,482	325,000	249,350	1,080,000	407,944
2037-2038	-	-	160,000	8,938	110,000	6,050	350,000	126,582	335,000	239,194	955,000	380,764
2038-2039	-	-	165,000	4,538	110,000	3,025	360,000	119,582	345,000	228,306	980,000	355,451
2039-2040	-	-	-	-	-	-	365,000	112,382	355,000	217,094	720,000	329,476
2040-2041	-	-	-	-	-	-	375,000	104,626	370,000	205,556	745,000	310,182
2041-2042	-	-	-	-	-	-	380,000	96,656	380,000	193,068	760,000	289,724
2042-2043	-	-	-	-	-	-	390,000	88,106	395,000	180,243	785,000	268,349
2043-2044	-	-	-	-	-	-	400,000	79,332	410,000	166,417	810,000	245,749
2044-2045	-	-	-	-	-	-	410,000	70,332	425,000	151,556	835,000	221,888
2045-2046	-	-	-	-	-	-	415,000	61,106	440,000	136,150	855,000	197,256
2046-2047	-	-	-	-	-	-	425,000	51,768	455,000	120,200	880,000	171,968
2047-2048	-	-	-	-	-	-	435,000	42,206	470,000	102,000	905,000	144,206
2048-2049	-	-	-	-	-	-	445,000	32,418	490,000	83,200	935,000	115,618
2049-2050	-	-	-	-	-	-	455,000	21,850	510,000	63,600	965,000	85,450
2050-2051	-	-	-	-	-	-	465,000	11,044	530,000	43,200	995,000	54,244
2051-2052	-	-	-	-	-	-	-	-	550,000	22,000	550,000	22,000
	<u>\$ 1,850,000</u>	<u>\$ 301,080</u>	<u>\$ 2,150,000</u>	<u>\$ 577,324</u>	<u>\$ 1,455,000</u>	<u>\$ 390,860</u>	<u>\$ 9,685,000</u>	<u>\$ 3,547,426</u>	<u>\$ 9,820,000</u>	<u>\$ 6,515,706</u>	<u>\$ 24,960,000</u>	<u>\$ 11,332,396</u>

See the independent auditor's report.

**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULES OF PROPERTY TAX INFORMATION**  
**JUNE 30, 2023**

**CHANGES IN TAXES RECEIVABLE**

	Current Year	Prior Years	Total
<b>Balance at Beginning of Year</b>	\$ -	\$ 1,085,739	\$ 1,085,739
Add: Fiscal Year 2023 Taxes Levied	1,130,300	-	1,130,300
Less: Taxes Collected	-	(999,073)	(999,073)
	1,130,300	86,666	1,216,966
Allowance for Uncollectible Accounts	(41,282)	(60,326)	(101,608)
<b>Balance at End of Year</b>	\$ 1,089,018	\$ 26,340	\$ 1,115,358

**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
2023	\$ 899,436,051	0.1257%	1,130,300			1,130,300
2022	804,937,957	0.1257%	1,010,838	-	973,919	36,919
2021	789,371,808	0.1257%	991,426	968,861	11,701	10,864
2020	614,470,410	0.1592%	978,773	966,259	4,167	8,347
2019	583,499,473	0.1592%	929,898	913,637	1,684	14,577
2018	521,778,404	0.1592%	830,417	825,927	1,285	3,205
2017	490,656,407	0.1592%	781,125	777,118	1,235	2,772
2016	549,191,840	0.1592%	873,547	870,243	582	2,722
2015	542,379,830	0.1592%	862,731	859,378	597	2,756
2014	547,371,482	0.1592%	871,415	868,576	603	2,236
2013	544,964,104	0.1592%	867,583	864,750	583	2,250
						\$ 1,216,948

Property taxes unpaid for periods prior to 2011 have been filed with the Sevier County Circuit Court Clerk.

## OTHER INFORMATION SECTION





CITY OF GATLINBURG, TENNESSEE  
 SCHEDULE OF UTILITY RATES  
 JUNE 30, 2023

**Water Rates:**

First 2,000 gallons per month, based on meter size:

<u>Meter Size</u>	<u>Charge (for &lt; 1,750 ft. elevation)</u>
5/8"-3/4"	\$ 7.75 minimum charge
<b>1"</b>	<b>19.86 minimum charge</b>
1 1/2"-2"	26.47 minimum charge
<b>3"</b>	<b>39.72 minimum charge</b>
4"	52.97 minimum charge
<b>6"</b>	<b>79.44 minimum charge</b>
>= 8"	119.16 minimum charge

Usage in excess of 2,000 gallons per month for all meter sizes at an elevation below 1,750 feet is \$3.88 per 1,000 gallons. At or above an elevation of 1,750 feet is \$4.38 per 1,000 gallons. Rates outside the City are 25% higher.

**Number of Water Customers:** 3,340

**Wastewater Rates:**

First 2,000 gallons per month, based on meter size:

<u>Meter Size</u>	<u>Charge (for &lt; 1,750 ft. elevation)</u>
5/8"-3/4"	\$ 12.17 minimum charge
<b>1"</b>	<b>28.80 minimum charge</b>
1 1/2"-2"	38.40 minimum charge
<b>3"</b>	<b>52.80 minimum charge</b>
4"	76.80 minimum charge
<b>6"</b>	<b>115.20 minimum charge</b>
8"	172.80 minimum charge

Usage in excess of 2,000 gallons per month is \$6.08 per 1,000 gallons. Rates outside the City are 25% higher.

**Number of Wastewater Customers:** 2,201

The Administrative charge per month for each customer with one or both services is \$1.00.

See Independent Auditor's Report

**CITY OF GATLINBURG, TENNESSEE  
 FULL-TIME GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS**

<b>Department</b>	<b>Fiscal Year</b>									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Building & Planning*	8	8	7	7	6	6	6	5	5	6
Building Maintenance	5	5	5	5	5	5	5	5	5	5
City Manager's Office	5	5	4	4	3	3	3	3	3	3
Convention Center	-	-	3	3	21	21	21	21	21	21
Finance	11	11	10	10	10	10	10	10	10	9
Fire Department	43	43	40	40	40	40	40	40	40	37
Golf	11	11	11	11	11	11	11	11	11	11
Mass Transit	10	10	11	10	11	11	11	11	11	11
Parking	5	5	7	5	5	5	5	5	5	5
Police/Dispatch	59	59	55	55	55	55	55	55	55	52
Recreation	27	27	27	27	27	27	27	27	27	27
Sanitation	26	26	22	22	22	22	22	22	22	20
Service Center	9	9	7	8	8	8	8	8	8	8
Streets	17	17	17	17	15	15	15	15	15	14
Water/Utilities	26	26	26	28	28	28	28	28	28	28
<b>Total Employees</b>	<b>262</b>	<b>262</b>	<b>252</b>	<b>252</b>	<b>267</b>	<b>267</b>	<b>267</b>	<b>266</b>	<b>266</b>	<b>257</b>

\* Building Inspections and Planning Departments were combined in 2015

**CITY OF GATLINBURG, TENNESSEE  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Public Safety</b>										
<b>Police</b>										
Number of employees	59	59	55	55	55	55	55	55	55	52
Number of violations (citations)	3,504	5,484	4,396	4,903	5,073	4,572	4,424	3,461	5,408	4,865
Accidents investigated	730	502	631	243	260	555	544	566	401	588
<b>Fire</b>										
Number of employees*	43	43	40	40	40	40	40	40	40	37
Number of calls answered	4,495	4,176	3,859	3,184	3,304	3,078	3,274	3,128	2,891	2,744
Number of inspections	3,360	3,589	3,627	3,408	3,623	3,920	3,909	4,841	5,025	4,088
<b>Cultural and Recreational</b>										
<b>Parks and Recreation</b>										
Number of Pool memberships	366	134	151	205	178	200	181	142	114	107
Number of Tone Zone memberships	1,291	1,031	887	1,142	1,605	1,611	1,541	1,190	1,393	1,290
<b>Library</b>										
Registered Customers	4,656	4,389	4,046	3,824	3,613	3,479	6,100	4,904	5,090	4,776
Books loaned out and digital resources provided	17,921	23,447	28,009	24,371	21,112	23,415	27,300	27,309	26,203	24,584
Computer users	10,590	9,421	4,312	2,769	2,971	6,159	4,788	5,274	6,023	6,584
<b>Water and Sewer</b>										
<b>Water</b>										
Number of Water consumers	3,340	3,266	3,215	3,163	3,152	3,049	2,841	3,638	3,635	3,623
Daily average consumption (Gallons)	2,580,000	2,100,000	2,100,000	1,992,419	1,868,000	1,725,000	1,832,320	2,260,000	2,450,000	1,950,000
<b>Sewer</b>										
Number of Sewer consumers	2,201	2,151	2,109	2,073	2,042	1,962	1,897	2,404	2,405	2,403
Daily average treatment (Gallons)	2,750,000	2,700,000	2,750,000	2,660,000	2,750,000	2,560,000	2,470,000	2,600,000	2,490,000	2,710,000
<b>Golf Course</b>										
Number of rounds played	29,701	25,929	32,016	18,926	20,274	23,862	24,819	25,025	21,906	22,009

Source: City Departments

Notes: N/A - data not available

\* Does not include volunteers

**CITY OF GATLINBURG, TENNESSEE  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	52	47	47	44	44	27	27	27	27	39
<b>Fire Stations</b>	3	3	3	3	3	3	3	3	3	3
<b>Refuse Collection</b>	10									
Collection Trucks		10	10	10	10	9	9	9	8	9
<b>Other Public Works</b>										
Streets (Miles)	93	93	90	90	90	90	90	90	90	90
<b>Parks &amp; Recreation</b>										
Parks	3	3	3	3	3	3	3	3	3	3
Parks Acreage	31	31	31	31	31	31	31	31	31	31
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Basketball Courts	2	2	2	2	2	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Disc Golf Courses	1	1	1	1	1	1	1	1	1	1
Pickle Ball Courts	3	-	-	-	-	-	-	-	-	-
<b>Water</b>										
Miles of water lines	98	98	98	97	97	97	97	97	97	97
Fire hydrants	545	545	545	536	529	531	531	524	517	517
No. of treatment plants	1	1	1	1	1	1	1	1	1	1
<b>Wastewater</b>										
Miles of sewer lines	67	67	67	66	66	66	66	66	66	66
No. of treatment plants	1	1	1	1	1	1	1	1	1	1
<b>Transit</b>										
Number of Trolleys	20	23	23	24	20	20	20	19	19	19

\*Patrol units for years prior to 2015 includes patrol personnel only. Post 2014 includes patrol vehicle count only.

## COMPLIANCE SECTION



**CITY OF GATLINBURG, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/Program	Assistance Listing Number	State/Pass-through Entity Identifying Number	Expenditures
<b>Federal Awards</b>			
U.S. Department of Housing and Urban Development Passed through the Tennessee Housing Development Agency: Home Investment Partnerships Program (HOME)	14.239	HM17-05	\$ 273,008
Total U.S. Department of Housing and Urban Development			<u>273,008</u>
U.S. Department of Transportation Passed through the Tennessee Department of Transportation: Rural Transportation Program - Operations, RTAP and Appalachian Operating Assistance Highway Planning and Construction (Federal-Aid Highway Program)	20.509 20.205	Z-23-5311-04 78LPLM-F3-049	171,169 <u>727,860</u>
Total U.S. Department of Transportation			<u>899,029</u>
U.S. Department of Safety and Homeland Security Passed through the Tennessee Department of Safety and Homeland Security: Community-Based Traffic Safety Enforcement and Education Total U.S. Department of Safety and Homeland Security	20.600	'02-18-21 GG	593 <u>593</u>
U.S. Department of Treasury American Rescue Plan Act State and Local Fiscal Recovery Funds	21.027	N/A	<u>591,540</u>
Total U.S. Department of Treasury			<u>591,540</u>
Total Federal Awards			<u>1,764,170</u>
<b>State Financial Assistance</b>			
Tennessee Department of Finance and Administration, Office of Criminal Justice Programs VCIF Grant - Body Cameras for Police		FA00003518	<u>101,107</u>
Total Tennessee Department of Finance and Administration, Office of Criminal Justice Programs			<u>101,107</u>
Tennessee Department of Transportation Urban Operating Assistance Program (UROP) Operating Assistance 5311 Rural Transportation Program - Operating, RTAP and Appalachian Operating Assistance IMPROVE Act Capital Assistance 5311 Rural Transportation Program - Operating, RTAP and Appalachian Operating Assistance Urban Operating Assistance Program (UROP) Operating Assistance		Z-23-UROP-12 Z-23-5311-04 Z-22-IMPV-03 Z-22-5311-10 Z-22-UROP-04	412,700 600,086 50,415 229,410 <u>193,088</u>
Total Tennessee Department of Transportation			<u>1,485,699</u>
Total State Financial Assistance			<u>1,586,806</u>
Total Federal Awards and State Financial Assistance			<u>\$ 3,350,976</u>

CITY OF GATLINBURG, TENNESSEE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2023

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 City of Gatlinburg (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 Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the City, they are not intended to and do 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.

*Assistance Listing.* The Assistance Listing is a government-wide compendium of individual federal programs. Each program is assigned a five-digit program identification number (Assistance Listing 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 COST RATE

The City has elected not to use the 10% de minimis indirect rate as allowed under Uniform Guidance.

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2023

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.

See Independent Auditor's Report.





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

Board of Commissioners and Senior Management City of Gatlinburg  
Gatlinburg, 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, budgetary comparisons for the general fund, special tax fund, tourism fund, and convention center debt service fund, and the aggregate remaining fund information of City of Gatlinburg, Tennessee (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements which collectively comprise City of Gatlinburg's basic financial statements and have issued our report thereon dated December 12, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of City'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 or significant deficiencies may exist that were not identified.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Gatlinburg'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 financial statements. 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 the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nashville, Tennessee  
December 12, 2023



Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance  
Required by the Uniform Guidance

Board of Commissioners and Senior Management  
City of Gatlinburg, Tennessee

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited City of Gatlinburg, Tennessee's ("City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2023. City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the City's major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.



### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Nashville, Tennessee  
December 12, 2023

CITY OF GATLINBURG  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2023

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)  Yes  No

Major federal programs for the City of Gatlinburg, Tennessee for the fiscal year ended June 30, 2023 are:

<u>Program Name</u>	<u>Assistance Listing #</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A & Type B Programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Findings**

Current Year Audit Findings: None

**Section III: Federal Award Findings**

Current Year Audit Findings: None

CITY OF GATLINBURG  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023

There were no findings or questioned costs reported in the prior year.