

# **CITY OF ALCOA, TENNESSEE**

*CUSIPs 013842*

*095175 (Series B-10-A & B-17-A only)*

## **Continuing Disclosure Document**

For Fiscal Year - Ending  
June 30, 2016

The purpose of this document is to fulfill the continuing disclosure requirements of the Securities and Exchange Commission, Securities Act of 1934, Rule 15c2-12 (b) (5).

Dated: February 16, 2017

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

# INTRODUCTION

## PURPOSE

This document is being published by the City of Alcoa, Tennessee (the “City”) in compliance with the continuing disclosure requirements of the Securities and Exchange Commission Rule 15c2-12, which governs primary and secondary market disclosure as it applies to municipal bond issuers.

## INTENT

The intent of this Continuing Disclosure Document (the “Document”) is to provide relevant information to investors regarding changes or events which could affect the value of municipal securities. Under this ruling, municipal issuers must provide annual financial information and continuing notification of important developments that may affect the value of their municipal securities.

If you wish any further information on any of the prior five fiscal years, please contact the City’s Dissemination Agent at: Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, TN 37933; Telephone (865) 988-2663; Email [gretchen.pelham@cumberlandsecurities.com](mailto:gretchen.pelham@cumberlandsecurities.com).

## DISTRIBUTION

The City, in compliance with SEC Rule 15c2-12, is submitting this Document and a copy of its Comprehensive Annual Financial Report for fiscal year ending June 30, 2016, to the Electronic Municipal Market Access (EMMA) website for the Municipal Securities Rulemaking Board (MSRB) on [www.emma.msrb.org](http://www.emma.msrb.org).

## MATERIAL EVENT NOTICES

Listed below are eleven events that may trigger prompt notification rules if they are deemed to be of material importance to investors.

- \* Delinquencies on interest and principal payments
- \* Defaults unrelated to nonpayments
- \* Unexpected use of reserves due to financial problems
- \* Unscheduled draws on credit enhancements due to financial problems
- \* Change in banks or other providers of credit, or their failure to provide funds
- \* Adverse tax opinions or other events that affect the tax-exempt status of a bond
- \* Changes in the rights of a bond investor
- \* Bond calls
- \* Defeasance (where bonds are prepaid and the indenture is declared null and void)
- \* Release, substitution or sale of property securing debt service
- \* Changes in a bond’s credit rating
- \* Tender Offers
- \* Bankruptcy, insolvency, receivership or similar proceedings by issuer
- \* Consummation of a merger, consolidation or acquisition involving issuer
- \* Appointment of a successor or change of trustees

## DIRECTORY

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## **GENERAL INFORMATION**

### **LOCATION**

The City of Alcoa (the “City”) is located in eastern Tennessee in Blount County (the “County”). The County is bordered to the east by Sevier County, to the north by Knox County and to the west by Loudon County. The southern border is Monroe County and the State of North Carolina. Other incorporated towns within the County are Maryville, the county seat and the largest city, Rockford, Friendsville and Townsend. Vonore is an unincorporated town that is in both Blount County and Monroe County.

The County is in the extreme eastern portion of Tennessee. Bordering the Great Smoky Mountains National Park, the immediate surrounding terrain is hilly and mountainous while much of the county is covered with rolling farmlands. Blount County is situated near the geographic center of the eastern United States with approximately 50 percent of the U.S. population within a 500-mile radius. The County benefits from being a gateway to the Great Smoky Mountains National Park. The scenic and recreational attractions of the park attract an ever increasing number of tourists to the County yearly.

The County is also situated at the southern boundary of the Oak Ridge Technology corridor, a nationally recognized high-technology research and development center. Additionally, Maryville is located about four miles from the Pellissippi Parkway extension, which makes residents within a 10 to 20-minute drive to the West Knoxville - Oak Ridge area.

### **GENERAL**

The County covers 559 square miles (52.4% of which is devoted to agriculture) in the extreme eastern portion of Tennessee. The County lies in an agriculturally rich section of the State. Major crops include tobacco, strawberries, crimson clover, sheep, cattle, dairy and truck farming.

The County is part of the Knoxville Metropolitan Statistical Area (the “MSA”) that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the “CSA”). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The County has a Census 2010 population of approximately 123,010. The population of Maryville as counted in the 2010 Census was 27,465.

## TRANSPORTATION

The area has excellent transportation facilities by rail, air, river and highway. Both the Norfolk Southern and CSX Railroads have terminals and stops in the County, with lines radiating in nine directions. The Pellissippi Highway (I-140) provides a direct link to I-40 and I-75 in Knox County. Major highways serving the County include U.S. Highway 44, 129, 321, 411 and 441 as well as State Routes 33, 75 and 95.

*McGhee Tyson Airport.* The McGhee Tyson Airport is the principal commercial airport in East Tennessee, serving the commercial airline industry, air cargo, military aviation and general aviation. With parallel 9,000 foot runways, McGhee Tyson Airport can accommodate any size aircraft. The Airport is located within the city limits of Alcoa 12 miles south of downtown Knoxville. The airport occupies more than 2,000 acres of land with space for additional air cargo facilities or economic development. This facility is owned and managed by the Metropolitan Knoxville Airport Authority. About 2,700 people work at the airport.

According to a 2012 study by the University of Tennessee's Center for Transportation Research, the airport contributes over \$616 million to the local economy (including Anderson, Blount, Knox, Loudon and Sevier Counties) every year. The report examined the employment, business and tax impacts of the airport, including the Downtown Island Airport.

The Metropolitan Knoxville Airport Authority (MKAA) was established in 1978 as an independent nonprofit agency to own and operate McGhee Tyson Airport and Downtown Island Airport. The Authority's nine-member Board of Commissioners is appointed by the Mayor of Knoxville and confirmed by City Council. This board determines the policies for the current Airport Authority staff of 150 employees in six departments. The board appoints a President who serves as the chief administrator and executive officer. All of the revenues are generated by user fees and rental income so no taxpayer dollars are used to support airport operations.

Five air cargo services provide daily service. In addition, six passenger airlines carry air cargo on most flights. More than 80,000,000 pounds of airfreight annually pass through its cargo facilities. Federal Express, United Parcel Service and DHL are the main couriers.

McGhee Tyson Airport has several major airlines serving 20 non-stop destinations including Atlanta, Chicago, Dallas/Ft. Worth, Denver, Houston, Myrtle Beach, New York, Orlando, Philadelphia and Washington D.C. With more than 120 arrivals and departures each day and more than 4,000 seats available, McGhee Tyson Airport is one of the most convenient and accessible regional airports in the nation.

The airport is served by several low fare carriers: Allegiant Air and Frontier Airlines. Allegiant Travel Company is focused on linking travelers in small cities to world-class leisure destinations such as Destin/Ft. Walton Beach, Fla., Ft. Lauderdale, Fla., Las Vegas, NV, Myrtle Beach, NC, Orlando, Fla., Sarasota/Fort Meyers, Fla., Tampa/St. Petersburg, Fla. and Washington, D.C. Through its subsidiary, Allegiant Air, the Company operates a low-cost, high-efficiency, all-jet passenger airline offering air travel both on a stand-alone basis and bundled with hotel rooms, rental cars and other travel related services. Frontier Airlines started flight in the summer of 2011 from Knoxville to its hub in Denver, Colorado and to Chicago, Illinois, Provo, Utah and Sioux Falls,

South Dakota.

McGhee Tyson is served by major and regional carriers including:

**Major Airlines:**

Allegiant Air  
Delta Airlines

Frontier Airlines

American Eagle

**Regional Carriers:**

United Express

*Source:* Metropolitan Knoxville Airport Authority.

These airlines connect passengers with service to several hub airports across the nation on more than 120 flights daily.

**McGhee Tyson Airport**

<b><u>Total Year</u></b>	<b><u>Commercial Passengers</u></b>	<b><u>Total Air Cargo in Pounds</u></b>
2006	1,674,877	92,219,596
2007	1,821,581	100,286,989
2008	1,742,579	97,366,366
2009	1,680,716	82,304,377
2010	1,688,882	93,393,658
2011	1,773,671	92,390,849
2012	1,747,145	91,514,071
2013	1,676,374	84,029,942
2014	1,738,133	74,115,672
2015	1,774,081	45,449,380

*Source:* Metropolitan Knoxville Airport Authority.

McGhee Tyson Airport has undergone many improvements in the past few years:

2008 West Aviation Area \$50.7 million

2008 Airport Rescue and Fire Fighting Facility \$11.3 million

2009 New Food Court in Terminal \$615,000

2014 Runway and Taxiway System Upgrade \$108 million

*Source:* Metropolitan Knoxville Airport Authority.

TACAir is McGhee Tyson Airport's general aviation services provider. In addition to providing fuel and services to commercial carriers, they also accommodate the general aviation industry, which includes corporate aviation, charter flights, flight schools and people who fly as a hobby.

The Tennessee Air National Guard's 134th Air Refueling Group operates 10 aircraft at McGhee Tyson Airport. The Guard's KC-135E tankers provide refueling to the country's military aircraft. In addition, the Army Aviation Support Facility, the 110th and 119th Tactical Control Squadrons and the 228th Combat Communications Squadron operate on the base.

The direct and indirect economic impact of McGhee Tyson Airport, including payroll, local spending, transportation cost savings, capital spending and induced benefits is estimated at \$1 billion annually. The jobs formed by the aviation industry are perhaps the most important direct benefit that McGhee Tyson Airport offers East Tennessee. Approximately 2,700 people are now employed at McGhee Tyson Airport.

*Downtown Island Home Airport.* Knoxville's Downtown Island Home Airport, located five minutes from downtown, serves as another home base for smaller and privately owned airplanes. The Island Home Airport is a 150-acre general aviation facility with a 3,500-foot runway. It is home to more than 100 private and corporate aircraft, with 24 hours a day service available.

*Waterways.* Fifteen miles away is the head of the Tennessee River navigation channel in Knoxville. This river is part of the Interconnected Inland Water System that links Knoxville with 21 states, the Mississippi River and the Great Lakes. Linkages may be made to the entire inland waterway system, allowing shipments to be made by water to Houston, Tampa, Pittsburgh, Minneapolis and Little Rock.

Six active river terminals handle barge shipments throughout the area. The Tennessee-Tombigbee Waterway links East Tennessee with 13 other states and the Gulf of Mexico. This 234-mile canal connects 16,000 miles of waterways throughout Tennessee, Mississippi and Alabama leading to the Port of Mobile and the Gulf of Mexico. This Waterway shortens the shipping between Tennessee and the Gulf of Mexico by 882 miles and enables East Tennessee products to arrive at their Gulf destination from eight to nine days earlier. The development of the Tennessee-Tombigbee Waterway has been a catalyst for the development of industry and agriculture throughout the area. Barge shipping has always been a popular alternative to rail in East Tennessee because of the existence of the Inland Water System.

Nearby Knoxville also has a Foreign Trade Zone, is an inland Port of Entry with a U.S. Customs Office. In 1988, Knoxville was given its Foreign Trade Zone designation by the U.S. Department of Commerce. This designation allows manufacturers to ship foreign raw materials and components to parts of Knoxville and store them duty free in Knoxville until used. In May 1991, the Foreign Trade Zone was activated.

## **EDUCATION**

*Alcoa City Schools District* is made up of about 9 square miles with three schools: one elementary, one middle school and one high school with 116 teachers. The fall 2015 enrollment was about 1,969 students.

The County is also home to two other school systems: The *Blount County School System* is made up of 21 public schools: fourteen elementary schools, four middle schools, two senior high schools and one alternative education school. Fall 2015 enrollment for Blount County schools is about 11,040 with around 716 teachers total. The District's size is about 584 square miles. *Maryville City Schools District* is made up of about 16.2 square miles with seven schools: three elementary, two intermediate, one junior high school and one high school with 350 teachers. The fall 2015 enrollment was 5,132 students.



Also, there are several private schools that serve the area: Apostolic Christian Academy, Clayton-Bradley Academy, Foothills Christian Academy, New Horizon Montessori School, and Maryville Christian School. Moreover, the County has many opportunities for higher education. In addition to the following schools, the University of Tennessee Knoxville is located in nearby Knox County. It is the largest campus in the UT system.

*Maryville College.* The private, four-year, liberal arts college, located in Maryville, was founded in 1819 and is one of the fifty oldest institutions of higher learning in the United States. The college is co-educational and grants the degrees of Bachelor of Arts, Bachelor of Science and Bachelor of Music with fifty diverse fields of study. Fall 2015 enrollment is 1,213 students, and the college is situated on a 375-acre campus. Dual degree programs are available in the fields of engineering, pharmacy and veterinary medicine. A \$47 million Civic Arts Center was completed in 2010.

*Source:* Maryville College.

*Pellissippi State Technical Community College Blount County Center.* The Blount County Center satellite campus has been housed at the former Bungalow Elementary School building since 1991. While that location served the needs of the college for many years, the institution has outgrown the aging facility. Currently, more than 700 students attend classes at the Blount County Center. Yet roughly 1,300 Pellissippi State students list the County as their residence. An expanded 39.5-acre facility allows more students to attend classes nearer to where they live. The \$22 million campus was completed in late 2010 in Blount County.

Since its founding in 1974 as State Technical Institute at Knoxville, Pellissippi State has expanded the teaching of technology, the use of technology in instruction, and the transfer of technology to local business and industry in support of regional economic development. Enrollment for spring 2016 was listed as 9,162. The Community College continues to support and develop career/technical associate's degrees and institutional certificates, university parallel associate's degree programs, and continuing education opportunities for the citizens of Knox, Blount, and surrounding counties. Pellissippi State Technical Community College (PSTCC) has been named one of the 200 fastest-growing community colleges in the nation, according to Community College Week. The College has released a 2012 report showing the school has pumped an average of \$244 million annually into the Knoxville-area economy over the last 5 years.

Several campuses make up the Community College. The main campus is the Pellissippi Campus in west Knoxville. The Division Street Campus and the newer Magnolia Avenue Campus, which opened in 2000, are also in Knoxville.

*Source:* Pellissippi State Technical Community College and the City.

## **HOSPITALS**

*Blount Memorial Hospital.* Blount Memorial is an acute care, short-term hospital located in Maryville. The Hospital Facility consists of approximately 715,925 square feet and a licensed capacity of 304 beds and 176 physicians. The hospital employs about 2,440 people and had 11,992 admissions in 2012. The hospital facility is operated by Blount Memorial Hospital Incorporated (the "BMH, Inc."), a governmental non-profit corporation formed by the County pursuant to Tennessee

law. The Hospital is governed by a board of directors appointed by the County, the Cities of Alcoa and Maryville, and Maryville College. The Hospital's property is owned by the County and BMH, Inc. There are several Special Care Units at Blount Memorial Hospital: ICU, CCU, same day surgery, medical/surgical patient care, Mountain View Recovery Center, emotional health center, family birthing center, and KidCare. The hospital's Emergency Room is open 24 hours and is equipped with 17 treatment rooms.

*University of Tennessee Medical Center.* Located in nearby Knoxville near the Blount County line, the *UT Medical Center* in Knoxville is an acute care teaching hospital with 581 beds and about 479 doctors. The hospital employs about 3,800 people and had 25,000 admissions for 2011. Designated as the region's Level I adult and pediatric Trauma Center by the state of Tennessee, the Medical Center provides the highest level of programs and emergency services. Critically ill patients are transported to the Medical Center via one of LIFESTAR'S two helicopters.

Special care units such as cardiac care, open heart, medical intensive care, neuro-respiratory, and trauma surgical intensive care are available for patients who require maximum medical attention. A Level IV Intensive Care Nursery, a Pediatric Intensive Care Unit, a newborn nursery and many other programs comprising Children's Health Services enable the hospital to provide the region's most comprehensive medical services for infants and children. University Hospital also serves as the Regional Perinatal Center. The new Heart Hospital was opened in 2010. See "RECENT DEVELOPMENTS" for new construction on the facility.

*Source:* University Health Center and Knoxville News Sentinel.

## **MANUFACTURING AND COMMERCE**

The economic base for Blount County includes a diversified group of industrial and service companies. The County has nine industrial parks within its boundaries with less than 400 acres remaining for development. Big Springs has 100 acres available in Maryville. Partnership Park North has 220 acres available about 8 miles from McGhee Tyson Airport in Alcoa. Partnership Park South has 210 acres in Maryville. Stock Creek Development Centre is a 24-acre site 5 miles from downtown Knoxville in Rockford.

The County is aligned with many strategic partners that assist growth and attract many advanced technology and R&D based companies. They are the Oak Ridge National Laboratory, the University of Tennessee, the Technology 2020 project, Tennessee Valley Authority and the National Safe Skies Alliance.

*Arconic Inc.*, formerly ALCOA Inc., owns and operates three aluminum plants located in the City of Alcoa near the McGhee Tyson Airport. These are the company's primary aluminum smelting and fabricating plants in the United States. The plant's primary product is flat, rolled aluminum sheets that are processed into beverage cans, Venetian blinds, lithographic sheets, and automobile trim. The plants have produced in the past about 200 metric tons of aluminum a year. This operation is the largest aluminum-producing and fabricating complex in the United States. The facility at one time was the largest aluminum manufacturing facility in the world with 12,000 ALCOA Inc. employees. See "RECENT DEVELOPMENTS" for more information.

*National Safe Skies Alliance* is a non-profit consortium dedicated to advancing aviation security by conducting independent testing and evaluation of anti-terrorism technologies in airports nationwide. Safe Skies' membership is comprised of airports, airlines, national laboratories, universities, and the security industry, working in partnership with the Department of Homeland Security - Transportation Security Administration, to protect the traveling public. Safe Skies' staff of security specialists, test engineers and statisticians are experts in the evaluation of security systems for the Passenger Checkpoint, Checked Baggage and Air Cargo, Access Control and the Airport Perimeter.

The *Oak Ridge National Laboratory* (the “ORNL”) based in nearby Roane County, is a multiprogram science and technology laboratory managed for the U.S. Department of Energy by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for the Department of Energy, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

*Pellissippi Place* is a 450-acre high tech park on the Oak Ridge Corridor in Alcoa. The first construction phase was begun in late 2008. The park focuses on technology, corporate research and high-tech business development. Phase I involved the infrastructure for the park, a phase that cost around \$10 million and was completed in 2010. The development is LEED certified, which requires all developers and contractors to following sustainable green building guidelines recognized by the U.S. Green Building Council. Pronova Solutions announced its plans to become the anchor tenant in 2013 and opened in June of 2015. The project represents an investment of \$52 million and up to 500 new jobs in Blount County. The Park is jointly owned by Blount County, the Cities of Alcoa and Maryville, and Knox County.

Pellissippi Place is the collaboration of two cities, Alcoa and Maryville, and two counties, Blount and Knox, and the Economic Development Board of Blount County working together. The anchor tenant is Molecular Pathology Laboratory Network, Inc. Over the course of the project, the park is expected to create over \$1 billion dollars in economic impact. Total build out of the park is estimated between 20 to 30 years.

The *Technology 2020* project was initiated in 1993 to capitalize on the unique resources of the East Tennessee region: the presence of the ORNL, the University of Tennessee-Knoxville, the headquarters of the Tennessee Valley Authority, and a significant number of both large and small technology companies in the region. A \$4.5 million investment has been made by DOE, South Central Bell, the Tennessee Public Service Commission and Lockheed-Martin to set up a regional telecommunications laboratory. This economic development resource center is located in Oak Ridge's Commerce Park. An 18,000 square foot facility has been constructed on the 5.2-acre site. The facility will be used for testing and demonstrating new communications technologies and applications.

The *Tennessee Valley Authority* (the “TVA”) provides support, technology, expertise, and financial resources to existing businesses and industries in the Valley to help them grow and be more

efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

The *University of Tennessee's* flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

### **Major Employers in Blount County, Tennessee**

<b><u>Company</u></b>	<b><u>Product/Service</u></b>	<b><u>Employment</u></b>
Denso <sup>1</sup>	Automotive Parts	3,400
Blount Memorial Hospital	Healthcare	2,441
McGhee Tyson Air National Guard	Airbase	2,100
Clayton Homes	Manufactured Housing	2,099
Blount County Schools	Education	1,800
Arconic Inc. (formerly ALCOA Inc) <sup>2</sup>	Aluminum Ingot, Coiled Steel	1,200
Maryville City Schools	Education	653
Blount County Government	Government	605
Accenture	Hotel Customer Service	575
Wal-Mart	Retail Store	539
Ruby Tuesday Inc.	Restaurants	518
Massey Group	Electrical Contractor	400
Newell Rubbermaid	Rubbermaid Plastic Products	350
TeamHealth Alcoa Billing	Billing	330
City of Maryville	Government	304
Rockford Manufacturing	Yarn & Cordage	300
Standard Aero Alliance Inc.	Aircraft Engines and Parts	278
City of Alcoa	Government	260
Maryville College	University	254
Cornerstone of Recovery	Healthcare	235
Alcoa City Schools	Education	231
EZ Stop Food Marts	Retail	220
Reinhart Food Service	Distribution	187

<sup>1</sup> Headquarters based in Blount County, but employment excludes 1,050 employees in the McMinn County Plant.

<sup>2</sup> Headquarters are based in Blount County, but employment includes some employees working in Knox County.

*Source:* Alcoa Audit, Blount County Chamber of Commerce, Blount County Audit, Maryville Audit and Knoxville News Sentinel - 2016.

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## EMPLOYMENT INFORMATION

For the month of November 2016, the unemployment rate for Maryville stood at 4.2% with 13,120 persons employed out of a labor force of 13,690. As of November 2016, the unemployment rate for Blount County stood at 4.3% with 59,090 persons employed out of a labor force of 61,710.

The Knoxville MSA's unemployment for November 2016 was at 4.4% with 402,290 persons employed out of a labor force of 420,630. As of November 2016, the unemployment rate in the Knoxville-Morristown-Sevierville CSA stood at 4.4%, representing 514,250 persons employed out of a workforce of 538,060.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
<b>Maryville</b>	<b>7.7%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>6.0%</b>	<b>5.3%</b>
Index vs. National	87	86	97	97	100
Index vs. State	84	87	88	90	91
<b>Blount County</b>	<b>7.7%</b>	<b>6.8%</b>	<b>6.9%</b>	<b>6.0%</b>	<b>5.3%</b>
Index vs. National	87	84	93	97	100
Index vs. State	84	85	84	90	91
<b>Knoxville MSA</b>	<b>7.3%</b>	<b>6.6%</b>	<b>6.9%</b>	<b>6.2%</b>	<b>5.4%</b>
Index vs. National	82	81	93	100	102
Index vs. State	79	82	84	93	93
<b>Knoxville-Morristown – Sevierville CSA</b>	<b>8.3%</b>	<b>7.5%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>6.5%</b>
Index vs. National	93	93	104	105	123
Index vs. State	90	94	94	97	112

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

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## ECONOMIC DATA

### Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
<b>Blount County</b>	<b>\$32,760</b>	<b>\$34,319</b>	<b>\$35,882</b>	<b>\$36,023</b>	<b>\$37,085</b>
Index vs. National	81	81	81	81	81
Index vs. State	92	92	92	92	92
<b>Knoxville MSA</b>	<b>\$34,799</b>	<b>\$36,850</b>	<b>\$38,557</b>	<b>\$38,359</b>	<b>\$39,530</b>
Index vs. National	86	87	87	86	86
Index vs. State	98	99	99	98	98
<b>Knoxville-Sevierville-Harriman CSA</b>	<b>\$33,312</b>	<b>\$35,215</b>	<b>\$36,675</b>	<b>\$36,614</b>	<b>\$37,718</b>
Index vs. National	83	83	83	82	82
Index vs. State	94	94	94	93	93

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

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Blount County</u>	<u>Alcoa</u>	<u>Maryville</u>
Median Value Owner Occupied Housing	\$178,600	\$142,100	\$166,500	\$118,200	\$189,700
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	87.6%	87.2%	89.7%
% Persons with Income Below Poverty Level	13.50%	16.70%	13.1%	24.8%	13.0%
Median Household Income	\$53,889	\$45,219	\$48,286	\$36,215	\$54,219

Source: U.S. Census Bureau State & County QuickFacts - 2015.

## RECREATION

*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 Blount County through the Great Smoky Mountain National Park in Townsend. 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.

*Fort Loudoun State Historic Park.* Fort Loudoun State Park is located in Vonore (in Monroe County) on TVA's Tellico Reservoir. This 1,200-acre site is the location of one of the earliest British fortifications on the western frontier, built in 1756. Today the fort and the 1794 Tellico Blockhouse overlook the Tellico Reservoir and the Appalachian Mountains. Much of the park's 1,200-acres lie on an island on Tellico Lake. The park has a Visitor Center/Museum that offers information on the area's history and artifacts that were excavated prior to the Fort's reconstruction. The largest event of each year is an 18th Century Trade Faire that showcases many aspects of that century. British soldiers, civilians, ladies and small children come together with traders, French soldiers, Creek and Cherokee Indians.

*Source:* Tennessee State Parks.

*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. Monroe County is located southwest of the Park. Over 500,000 acres were set aside in 1934 to form the Park. It includes 97 historic and 342 modern structures that are maintained by the Park. The Park is a hiker's paradise with over 800 miles of maintained trails, including the Appalachian Trail. The Smoky Mountains have the most biological diversity of any area in the world's temperate zone. The Park is a sanctuary for a magnificent array of animal and plant life, all of which is protected for future generations to enjoy. Located in the center of the eastern half of the United States, the Park is readily accessible to 70% of the country's population. Each year it draws the largest attendance of any of the National Parks in the United States. Visitors during 2015 reached over 9.3 million.

In early 2016, a 13,000 square foot Collections Preservation Center operated by the National Park Service will open in Townsend, TN. In April 2011, a \$3 million Oconoluftee Visitor Center opened near Cherokee, NC. 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 built in the Park since the Sugarlands Visitor Center opened in 1964 at the Gatlinburg entrance.

*Source:* National Park Service.

## **RECENT DEVELOPMENTS**

*Advanced Munitions International ("AMI").* AMI will build a global headquarters and state-of-the-art munitions manufacturing facility in Alcoa's Partnership Park, creating 605 new jobs. AMI expects to break ground on the 235-acre site in the spring of 2016 and is expected to open late 2018. The chance to benefit from research at Oak Ridge National Laboratory was a key factor in picking the Blount County location. Advanced Munitions International began in 2010 as Advanced Tactical Armament Concepts, converting an empty hangar and machine shop near the airport in Payson, Ariz. into an ammunition production facility. The company has rebranded as Advanced Munitions International, producing ammunition for HPR Ammunition, ATAC Emcon, and BlackOPs brands.

*Arconic Inc. (formerly ALCOA Inc.).* In November of 2016 ALCOA Inc. split into two standalone companies Arconic Inc. and ALCOA Corp. The former ALCOA Inc. aluminum facility has now become Arconic Inc. Arconic Inc. is now a global leader in multi-materials innovation, precision engineering and advanced manufacturing, and the newly formed ALCOA Corp. emerging as a cost-competitive leader in the bauxite, alumina and aluminum industries. The separation took effect through a pro-rata distribution by ALCOA Inc. of 80.1 percent of the outstanding shares of

ALCOA Corp. with Arconic Inc. retaining 19.9 percent of ALCOA Corp. common stock. With aerospace and transportation accounting for 65 percent of the company's Global Rolled Product revenue, several big names in the automobile industry have become customers of Arconic, including Ford, Chrysler and GM. Arconic Inc. can currently supply over 90 percent of a jet engine's necessary components through metallic and carbon fiber reinforced plastic aircraft parts.

At the existing facility a three year, \$275 million expansion to convert capacity for the automobile industry was completed in 2015. An additional 200 full-time workers were hired.

*Ceramaspeed.* A leading provider of electric radiant heating solutions for glass ceramic appliances, Ceramaspeed has relocated in 2012 into a 55,000-square foot, \$3.5 million industrial building in Maryville.

*Cirrus Aircraft.* The private aircraft manufacturer Cirrus Aircraft began construction in 2016 on the first phase to build \$15 million in 4 buildings and 181 parking spaces on 13 acres and create 170 jobs at the Metropolitan Knoxville Airport West Aviation Area. The new "Vision Center" will be the epicenter and flagship location for all Cirrus Aircraft pilot, owner and customer activities. The Knoxville facility will include a full-motion flight simulator currently under development and other fixed training devices. It will also contain a factory service center as well as a design center, allowing buyers to personalize and create their Vision SF50.

*Denso Tennessee.* Denso Manufacturing produces automotive parts in four plants located in Maryville. Already one of the largest employers in the County, DENSO represents an investment exceeding \$1.1 billion in the Blount County Industrial Park. The company's entire campus, also featuring a training center, logistics center and associate fitness center, covers more than 154 acres. In 2016 Denso began construction on a \$400 million expansion to its Maryville facility that will add 500 new jobs. This is in addition to the additional 900 workers to begin a new production line of fuel efficient starters that have been hired since 2011. The 55-acre addition includes a new state-of-the-art electronics division. The expansion added a 220,000-square-foot wing to the company's existing facility, covering 1.5 million square feet. DENSO also has a plant in McMinn County that is undergoing a \$85 million expansion to be completed in mid-2017 and will hire an additional 400 people. The combined employment from plants in both counties equal 4,700 people as of January 2015.

Denso opened in 1988 and makes starters, alternators, instrument clusters and electronics for the automotive industry. The company provides parts for 20 automakers, including Toyota, Honda, Daimler Chrysler, General Motors, Ford and Subaru. Denso's parent company, Denso Corp., is based in Kariya, Japan.

*K12 Inc.* A Virginia-based company, K12 Inc. began construction in 2014 on a call center at the Tyson Centre office building, next to the McGhee Tyson Airport in Alcoa. The \$2.4 million construction will occur over the next five years and should hire about 300 employees. K12 is an online learning company that offers courses in several subjects.



*Koide Tennessee Inc.* Koide Tennessee, a Japan-based company that produces metal tubing for the automotive industry, finished a \$10.1 million expansion in 2015 that resulted in over 30 new jobs for the manufacturing plant located in the Stock Creek Development Technology Park. The addition will be 76,000-square-foot facility on a 10-acre site.

*ProNova Solutions.* ProNova opened a \$20 million proton center in the Pellissippi Place technology research and development park in 2015. The 55,000-square-foot facility will be a equipment supplier for the cancer-treatment technology. By 2023, ProNova expects to have 125 two-room systems out the Blount County facility and employ over 4,000 employees.

*Surface Igniter. LLC.* In 2013 surface Igniter relocated its headquarters and manufacturing facility from Puerto Rico to its existing facility in Maryville, investing \$3.8 million. The company is a leading manufacturer of hot surface igniters for heating, cooking, clothes dryer and BBQ grill industries. In 2016 construction was completed on the 55,000-square foot Blount County Industrial Park in Maryville, doubling the number of jobs to 108.

*TeamHealth.* TeamHealth finished an \$18 million expansion in 2012 that added 160 jobs to its facility in Alcoa. The company provides medical employees to hospitals, the military and other organizations. It is headquartered in Knoxville and already employees 400 people at a facility in Alcoa. Adding up to 550 more jobs is also a possibility. TeamHealth was founded in 1979 and has six principal service lines located in 13 regional sites that employee more than 6,600. These healthcare professionals provide services to more than 700 civilian and military hospitals, clinics and physician groups in 45 states.

*Source:* The Blount County Economic Development Board, The Daily Times, Knoxville News Sentinel and WBIR Knoxville, TN.

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

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) OUTSTANDING
\$ 9,225,000	Loan Agreement (Maryville Civic Arts Center), Series 2009	June 2036	Variable	\$ 7,875,000
7,600,000	(5) General Obligation Bonds, Series 2008	June 2018	Fixed	300,000
3,000,000	Loan Agreement, Series B-17-A	June 2018	Fixed	275,000
77,370,000	(4) Loan Agreement, Series E-5-B	June 2042	Variable/Synthetic	70,880,000
3,960,793	(2) State Of Tennessee Revolving Fund (2012)	Aug. 2032	Fixed	3,398,701
10,000,000	General Obligation Bonds, Series 2012	June 2042	Fixed	9,325,000
10,000,000	General Obligation Bonds, Series 2013A	June 2043	Fixed	9,950,000
2,000,000	(6) General Obligation Bonds, Series 2013B (Federally Taxable)	June 2019	Fixed	1,200,000
10,000,000	General Obligation Bonds, Series 2014	June 2043	Fixed	9,850,000
9,000,000	(7) General Obligation Refunding Bonds, Series 2014B (Federally Taxable)	June 2026	Fixed	8,115,000
9,995,000	General Obligation Bonds, Series 2015	June 2044	Fixed	9,995,000
9,625,000	(8) General Obligation Refunding Bonds, Series 2016A	June 2042	Fixed	9,560,000
4,395,000	(9) General Obligation Refunding Bonds, Series 2016B	June 2022	Fixed	4,395,000
<b>\$ 166,170,793</b>	<b>TOTAL BONDED DEBT</b>			<b>\$ 145,118,701</b>
<b>(71,938,701)</b>	<b>Less: Revenue-Supported Debt</b>			<b>(71,938,701)</b>
<b>\$ 94,232,092</b>	<b>NET BONDED DEBT</b>			<b>\$ 73,180,000</b>

**NOTES:**

- (1) The above figures do not include short-term notes outstanding, if any. Additionally, The City has entered in multiple interest rate swap agreements. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.
- (2) Water and Sewer revenue-supported bonds.
- (3) The City budgets to account for interest rate and/or basis risk.
- (4) A portion (\$37,310,000) of the Series E-5-B Bonds will be supported by water and sewer revenue and a portion (\$16,765,000) of the Series E-5-B Bonds will be supported by electric revenues.
- (5) A portion (\$300,000) of the Series 2008 Bonds will be supported by water and sewer revenue.
- (6) A portion (\$325,000) of the Series 2013B Bonds will be supported by water and sewer revenue and a portion (\$365,000) of the Series 2013B Bonds will be supported by landfill revenues.
- (7) A portion (\$1,290,000) of the Series 2014B Bonds will be supported by water and sewer revenue and a portion (\$215,000) of the Series 2014B Bonds will be supported by landfill revenues and a portion (\$2,295,000) of the Series 2014B Bonds will be supported by electric system revenues.
- (8) A portion (\$5,280,000) of the Series 2016A Bonds will be supported by water and sewer revenues.
- (9) The Series 2016B Bonds are supported landfill revenues.

**CITY OF ALCOA, 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 included herein and the table should be read in conjunction with those statements.

	For Fiscal Year Ended June 30				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>INDEBTEDNESS</b>					
TAX SUPPORTED					
General Obligation Bonds & Notes	\$ 41,119,250	\$ 49,244,500	\$ 67,908,000	\$ 75,630,000	\$ 75,985,000
TOTAL TAX SUPPORTED	\$ 41,119,250	\$ 49,244,500	\$ 67,908,000	\$ 75,630,000	\$ 75,985,000
REVENUE SUPPORTED					
Water & Sewer & Solid Waste Revenue Bonds	\$ 57,678,169	\$ 56,408,649	\$ 56,212,801	\$ 54,423,837	\$ 52,878,701
Electric Revenue Bonds	22,473,000	21,657,000	20,808,000	20,045,000	19,060,000
TOTAL REVENUE SUPPORTED	\$ 80,151,169	\$ 78,065,649	\$ 77,020,801	\$ 74,468,837	\$ 71,938,701
TOTAL DEBT	\$ 121,270,419	\$ 127,310,149	\$ 144,928,801	\$ 150,098,837	\$ 147,923,701
Less: Revenue Supported Debt	\$ (80,151,169)	\$ (78,065,649)	\$ (77,020,801)	\$ (74,468,837)	\$ (71,938,701)
Less: Debt Service Fund	(94,697)	(804,120)	(1,787,413)	(2,945,179)	(2,945,179)
NET DIRECT DEBT	\$ 41,024,553	\$ 48,440,380	\$ 66,120,587	\$ 72,684,821	\$ 73,039,821
OVERLAPPING DEBT (1)	\$ 31,532,992	\$ 31,962,739	\$ 28,926,480	\$ 26,199,104	\$ 29,589,873
NET DIRECT & OVERLAPPING DEBT	\$ 72,557,545	\$ 80,403,119	\$ 95,047,067	\$ 98,883,925	\$ 102,629,694
<b>PROPERTY TAX BASE</b>					
Estimated Actual Value	\$ 1,411,195,670	\$ 1,454,779,907	\$ 1,439,407,011	\$ 1,428,883,610	\$ 1,542,014,041
Appraised Value	1,411,195,670	1,454,779,907	1,439,407,011	1,428,883,610	1,542,014,041
Assessed Value	454,226,484	468,248,448	463,051,825	460,411,256	506,609,393

(1) OVERLAPPING DEBT Includes the City's share of Blount County's Net Direct Debt. Excludes Blount County Debt Supported by Hospital Revenues.

Source: General Purpose Financial Statements and City Officials.

DEBT RATIOS	For Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
TOTAL DEBT to Estimated Actual Value	8.59%	8.75%	10.07%	10.50%	9.59%
TOTAL DEBT to Appraised Value	8.59%	8.75%	10.07%	10.50%	9.59%
TOTAL DEBT to Assessed Value	26.70%	27.19%	31.30%	32.60%	29.20%
NET DIRECT DEBT to Estimated Actual Value	9.03%	10.35%	14.28%	15.79%	14.42%
NET DIRECT DEBT to Appraised Value	2.91%	3.33%	4.59%	5.09%	4.74%
NET DIRECT DEBT to Assessed Value	9.03%	10.35%	14.28%	15.79%	14.42%
OVERLAPPING DEBT to Estimated Actual Value	2.23%	2.20%	2.01%	1.83%	1.92%
OVERLAPPING DEBT to Appraised value	2.23%	2.20%	2.01%	1.83%	1.92%
OVERLAPPING DEBT to Assessed Value	6.94%	6.83%	6.25%	5.69%	5.84%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	5.14%	5.53%	6.60%	6.92%	6.66%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	5.14%	5.53%	6.60%	6.92%	6.66%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	15.97%	17.17%	20.53%	21.48%	20.26%
PER CAPITA RATIOS					
POPULATION (1)	8,551	8,640	8,753	8,753	8,753
PER CAPITA PERSONAL INCOME (2)	\$ 34,944	\$ 35,310	\$ 35,310	\$ 35,310	\$ 35,310
Estimated Actual Value to POPULATION	\$ 165,033	\$ 168,377	\$ 164,447	\$ 163,245	\$ 176,170
Assessed Value to POPULATION	\$ 53,120	\$ 54,195	\$ 52,902	\$ 52,600	\$ 57,878
Total Debt to POPULATION	\$ 14,182	\$ 14,735	\$ 16,558	\$ 17,148	\$ 16,900
Net Direct Debt to POPULATION	\$ 4,798	\$ 5,607	\$ 7,554	\$ 8,304	\$ 8,345
Overlapping Debt to POPULATION	\$ 3,688	\$ 3,699	\$ 3,305	\$ 2,993	\$ 3,381
Net Direct & Overlapping Debt to POPULATION	\$ 8,485	\$ 9,306	\$ 10,859	\$ 11,297	\$ 11,725
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	40.58%	41.73%	46.89%	48.56%	47.86%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	13.73%	15.88%	21.39%	23.52%	23.63%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	10.55%	10.48%	9.36%	8.48%	9.57%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	24.28%	26.35%	30.75%	31.99%	33.21%

(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 ALCOA, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS - General Obligation**

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) & (2)			% All Principal Repaid Repaid
	Principal	Interest	TOTAL	
2017	\$ 2,680,000	\$ 2,804,964	\$ 5,484,964	3.66%
2018	3,045,000	2,703,029	5,748,029	
2019	3,150,000	2,586,216	5,736,216	
2020	3,100,000	2,464,456	5,564,456	
2021	3,215,000	2,340,829	5,555,829	20.76%
2022	3,165,000	2,210,761	5,375,761	
2023	2,415,000	2,079,774	4,494,774	
2024	2,495,000	2,002,099	4,497,099	
2025	2,535,000	1,921,589	4,456,589	
2026	2,625,000	1,835,989	4,460,989	38.84%
2027	2,500,000	1,747,026	4,247,026	
2028	2,555,000	1,660,346	4,215,346	
2029	2,445,000	1,569,831	4,014,831	
2030	2,525,000	1,476,556	4,001,556	
2031	2,635,000	1,379,406	4,014,406	56.14%
2032	2,705,000	1,280,919	3,985,919	
2033	2,835,000	1,178,406	4,013,406	
2034	2,990,000	1,068,300	4,058,300	
2035	3,070,000	950,681	4,020,681	
2036	3,240,000	829,944	4,069,944	76.42%
2037	2,050,000	699,031	2,749,031	
2038	2,095,000	619,531	2,714,531	
2039	2,185,000	538,500	2,723,500	
2040	2,325,000	450,031	2,775,031	
2041	2,390,000	354,625	2,744,625	91.51%
2042	2,535,000	255,775	2,790,775	
2043	2,605,000	150,750	2,755,750	
2044	525,000	42,800	567,800	
2045	545,000	21,800	566,800	100.00%
	<u>\$ 73,180,000</u>	<u>\$ 39,223,966</u>	<u>\$ 112,403,966</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.

**CITY OF ALCOA, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS - REVENUE AND TAX**  
**SUPPORTED**  
Solid Waste System

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2017	\$ 815,000	\$ 107,938	\$ 922,938	16.38%
2018	840,000	87,423	927,423	33.27%
2019	875,000	69,498	944,498	50.85%
2020	765,000	50,738	815,738	66.23%
2021	790,000	35,358	825,358	82.11%
2022	795,000	19,428	814,428	98.09%
2023	20,000	3,328	23,328	98.49%
2024	25,000	2,688	27,688	98.99%
2025	25,000	1,838	26,838	99.50%
2026	25,000	938	25,938	100.00%
	<u>\$ 4,975,000</u>	<u>\$ 379,170</u>	<u>\$ 5,354,170</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 in herein.

# CITY OF ALCOA, TENNESSEE

## BONDED DEBT SERVICE REQUIREMENTS - REVENUE AND TAX SUPPORTED

### Water And Sewer System

F.Y. Ended <u>6/30</u>	Total Bonded Debt Service Requirements (1) & (2)			% All Principal Repaid
	Principal	Interest	TOTAL	
2017	\$ 1,200,500	\$ 2,145,049	\$ 3,345,549	2.51%
2018	1,251,032	2,097,560	3,348,592	
2019	1,291,768	2,045,922	3,337,690	
2020	1,237,708	1,993,242	3,230,950	
2021	1,293,840	1,937,830	3,231,670	13.10%
2022	1,360,188	1,879,519	3,239,707	
2023	1,446,752	1,818,045	3,264,797	
2024	1,508,556	1,753,420	3,261,976	
2025	1,575,576	1,684,114	3,259,690	
2026	1,647,848	1,611,350	3,259,198	28.84%
2027	1,630,372	1,534,924	3,165,296	
2028	1,703,160	1,457,607	3,160,767	
2029	2,096,212	1,376,765	3,472,977	
2030	2,259,540	1,280,800	3,540,340	
2031	1,928,156	1,177,291	3,105,447	48.91%
2032	2,012,072	1,093,040	3,105,112	
2033	1,870,421	1,008,174	2,878,595	
2034	1,905,000	926,538	2,831,538	
2035	1,995,000	839,188	2,834,188	
2036	2,090,000	747,488	2,837,488	69.52%
2037	2,165,000	652,037	2,817,037	
2038	2,265,000	552,087	2,817,087	
2039	2,370,000	448,800	2,818,800	
2040	2,485,000	341,050	2,826,050	
2041	2,600,000	228,450	2,828,450	94.33%
2042	2,715,000	116,250	2,831,250	100.00%
	<u>\$ 47,903,701</u>	<u>\$ 32,746,539</u>	<u>\$ 80,650,240</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 in herein. Includes \$4,000,000 State Revolving Loan.

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

## CITY OF ALCOA, TENNESSEE

### BONDED DEBT SERVICE REQUIREMENTS - Revenue & Tax Supported

#### Electric System

As of June 30, 2016

F.Y. Ended <u>6/30</u>	Total Bonded Debt Service Requirements (1) & (2)			% Principal Repaid
	Principal	Interest	TOTAL	
2017	\$ 1,020,000	\$ 901,406	\$ 1,921,406	5.35%
2018	1,045,000	858,401	1,903,401	
2019	1,100,000	813,070	1,913,070	
2020	1,145,000	764,118	1,909,118	
2021	1,205,000	712,458	1,917,458	28.93%
2022	1,265,000	657,378	1,922,378	
2023	1,325,000	598,728	1,923,728	
2024	1,385,000	536,798	1,921,798	
2025	1,445,000	471,548	1,916,548	
2026	1,500,000	402,938	1,902,938	65.24%
2027	1,310,000	331,250	1,641,250	
2028	1,360,000	265,750	1,625,750	
2029	1,435,000	197,750	1,632,750	
2030	1,510,000	126,000	1,636,000	
2031	1,010,000	50,500	1,060,500	100.00%
	<u>\$ 19,060,000</u>	<u>\$ 7,688,090</u>	<u>\$ 26,748,090</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 in herein.

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



## **FINANCIAL INFORMATION**

### **INTRODUCTION**

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

The City's General Purpose Financial Statements, which is an extract of the Comprehensive Annual Financial Report included herein.

### **BASIS OF ACCOUNTING AND PRESENTATION**

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

### **BUDGETARY PROCESS**

The City Manager in a timely manner is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year which begins on the following July 1. A public hearing is conducted by the Board of Commissioners to obtain citizen comment on the proposed budget. Prior to June 30th, the budget must be adopted. All annual appropriations lapse at the end of the fiscal year.

Amendments which revise the total expenditures of any fund may occur at any time during the fiscal year. The City Manager may, on his own authority, transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Commissioners.

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## FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

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

<b>Fund Type</b>	<b>For the year ended June 30</b>				
	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b>UNAUDITED <u>2016</u></b>
<i>Governmental Funds:</i>					
General	\$2,517,547	\$ 2,592,563	\$ 3,773,269	\$ 5,148,299	\$ 6,468,422
Education	1,138,977	879,036	399,133	1,093,096	1,184,448
Debt Service	94,697	804,120	1,787,413	2,020,743	1,019,041
Public Works	-	-	2,121,243	4,773,441	3,611,429
School Fund	934,986	12,559	480,000	108,171	105,253
Alcoa High School	-	8,158,425	12,034,975	1,151,203	270,414
Other Governmental	<u>3,230,613</u>	<u>3,949,021</u>	<u>1,503,897</u>	<u>1,161,365</u>	<u>1,797,546</u>
<b>Total</b>	<b><u>\$7,916,820</u></b>	<b><u>\$16,395,724</u></b>	<b><u>\$22,099,930</u></b>	<b><u>\$16,380,754</u></b>	<b><u>\$14,456,553</u></b>
<i>Proprietary Net Assets:</i>					
Stormwater	\$ 1,047,370	\$ 1,183,448	\$ 1,056,111	\$ 982,702	\$ 897,821
Water/Sewer	19,107,463	19,154,135	19,108,984	20,312,350	19,017,902
Electric	34,201,990	35,635,144	35,976,113	36,274,464	37,506,308
Landfill	<u>3,035,724</u>	<u>2,975,842</u>	<u>2,290,343</u>	<u>2,575,050</u>	<u>2,530,677</u>
<b>Total</b>	<b><u>\$57,392,547</u></b>	<b><u>\$58,948,569</u></b>	<b><u>\$58,431,551</u></b>	<b><u>\$60,144,566</u></b>	<b><u>\$59,952,708</u></b>

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

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**CITY OF ALCOA, TENNESSEE**  
**FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - General Fund**  
For the Fiscal Year Ended June 30

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues:</b>					
Local taxes	\$ 11,654,503	\$ 15,260,887	\$ 16,653,983	\$ 18,492,401	\$ 17,353,083
Licenses and Permits	85,630	107,319	163,953	139,093	141,755
Intergovernmental Revenue	2,732,447	2,250,043	2,173,709	1,989,248	2,078,704
American Recovery Reinvestment Act (ARRA)	-	-	-	-	-
Charges for Service	537,789	372,895	474,484	304,002	326,211
Fines and Forfeits	474,586	435,732	464,448	488,599	639,374
Rent for use of Facilities	136,533	143,389	143,547	143,388	153,336
Interest and Investment Earnings	11,878	-	-	-	6,109
Miscellaneous	202,898	76,703	32,850	231,917	365,369
Sale of Property / Equipment	-	13,296	64,258	92,875	23,588
<b>Total Revenues</b>	<b>\$ 15,836,264</b>	<b>\$ 18,660,264</b>	<b>\$ 20,171,232</b>	<b>\$ 21,881,523</b>	<b>\$ 21,087,529</b>
<b>Expenditures and Other Uses:</b>					
General Government	\$ 1,725,782	\$ 1,703,606	\$ 1,726,638	\$ 1,740,661	\$ 1,665,434
Public Safety	7,765,636	8,001,649	8,663,677	9,091,569	9,246,339
Public Works	4,879,116	4,739,978	4,934,270	4,894,927	4,910,640
Recreation and Parks	670,432	699,498	739,419	783,056	586,168
Other Appropriations	592,824	748,075	713,405	1,042,221	1,403,320
Adjustment	-	-	-	-	-
Capital Projects	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 15,633,790</b>	<b>\$ 15,892,806</b>	<b>\$ 16,777,409</b>	<b>\$ 17,552,434</b>	<b>\$ 17,811,901</b>
Excess of Revenues & Over (under) Expenditures	\$ 202,474	\$ 2,767,458	\$ 3,393,823	\$ 4,329,089	\$ 3,275,628
<b>Other Financing Sources (Uses):</b>					
Interfund Transfers - In	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ 55,000
Interfund Transfers - Out	(4,686,856)	(4,572,099)	(4,050,000)	(4,682,383)	(3,900,000)
In Lieu of Taxes	1,621,501	1,629,657	1,686,883	1,728,324	1,889,495
Proceeds of Bonds	-	-	150,000	-	-
Payment of Refunding Bonds and Maryville College	-	-	-	-	-
Payment to Blount County	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (2,815,355)</b>	<b>\$ (2,692,442)</b>	<b>\$ (2,213,117)</b>	<b>\$ (2,954,059)</b>	<b>\$ (1,955,505)</b>
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	\$ (2,612,881)	\$ 75,016	\$ 1,180,706	\$ 1,375,030	\$ 1,320,123
Extraordinary Item	-	-	-	-	-
Fund Balance July 1	\$ 5,130,428	\$ 2,517,547	\$ 2,592,563	\$ 3,773,269	\$ 5,148,299
Prior Period Adjustment	-	-	-	-	-
<b>Fund Balance June 30</b>	<b>\$ 2,517,547</b>	<b>\$ 2,592,563</b>	<b>\$ 3,773,269</b>	<b>\$ 5,148,299</b>	<b>\$ 6,468,422</b>

Source: Comprehensive Annual Financial Report for City of Alcoa, Tennessee

**CITY OF ALCOA, TENNESSEE**  
**FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - Water and Sewer Fund**  
For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues:</b>						
Charges for Services	\$ 9,700,941	\$ 11,079,081	\$ 10,572,753	\$ 10,937,689	\$ 10,829,770	\$ 11,184,316
Forfeited Discounts	-	-	-	-	-	-
Miscellaneous Revenues	377,257	902,691	113,898	21,122	22,528	21,490
<b>Total Revenues</b>	<u>\$ 10,078,198</u>	<u>\$ 11,981,772</u>	<u>\$ 10,686,651</u>	<u>\$ 10,958,811</u>	<u>\$ 10,852,298</u>	<u>\$ 11,205,806</u>
<b>Expenses:</b>						
Administrative	\$ 592,863	\$ 624,986	\$ 700,237	\$ 729,133	\$ 761,744	\$ 768,786
Accounting & Collection	675,580	681,933	740,753	805,409	775,014	852,186
Supervision	202,392	225,879	232,104	254,265	276,192	307,044
Water Plant Operation	1,512,087	1,563,571	1,542,722	1,568,618	1,502,677	1,522,777
Distribution	801,657	826,922	831,263	296,367	744,488	865,959
Meter Reading and Repair	300,637	333,595	358,834	305,468	596,592	638,021
Water Maintenance	250,084	186,402	177,093	229,214	229,829	253,161
Sewer Collection and Disposal	2,812,943	2,342,623	2,218,637	2,007,777	2,357,711	2,770,530
Inspection/Environmental Compliance	91,824	98,673	105,844	115,683	119,010	111,684
Depreciation and Amortization	2,120,348	2,150,240	2,293,111	2,258,876	2,425,742	2,527,880
Taxes and Tax Equivalents	-	-	-	-	-	-
<b>Total Expenses</b>	<u>\$ 9,360,415</u>	<u>\$ 9,034,824</u>	<u>\$ 9,200,598</u>	<u>\$ 8,570,810</u>	<u>\$ 9,788,999</u>	<u>\$ 10,618,028</u>
Operating Income	\$ 717,783	\$ 2,946,948	\$ 1,486,053	\$ 2,388,001	\$ 1,063,299	\$ 587,778
<b>Other Income/Expense:</b>						
Amortization of Discount/Expense	\$ (38,989)	\$ (44,494)	\$ (51,777)	\$ (39,643)	\$ (26,617)	\$ (321,114)
Other Income (Expenses)	49,573	27,499	11,781	3,832	-	46,052
Interest Income (Expense)	(1,461,566)	(1,409,806)	(1,395,130)	(1,637,424)	(1,857,372)	(1,241,013)
<b>Total Other Income (Expense)</b>	<u>\$ (1,450,982)</u>	<u>\$ (1,426,801)</u>	<u>\$ (1,435,126)</u>	<u>\$ (1,673,235)</u>	<u>\$ (1,883,989)</u>	<u>\$ (1,516,075)</u>
Net Income before Capital Contribution and Transfers	\$ (733,199)	\$ 1,520,147	\$ 50,927	\$ 714,766	\$ (820,690)	\$ (928,297)
Capital Contributions	2,667,043	54,219	370,745	-	1,610,605	33,849
Payments in lieu of taxes	(400,000)	(400,000)	(375,000)	(400,000)	(400,000)	(400,000)
Changes in Net Assets	<u>\$ 1,533,844</u>	<u>\$ 1,174,366</u>	<u>\$ 46,672</u>	<u>\$ 314,766</u>	<u>\$ 389,915</u>	<u>\$ (1,294,448)</u>
Net Assets - Beginning of the year	\$ 16,399,253	\$ 17,933,097	\$ 19,107,463	\$ 19,154,135	\$ 19,468,901	\$ 19,498,899
Prior Period Adjustment	-	-	-	-	(359,917)	813,451
<b>Net Assets - End of the year</b>	<u><b>\$ 17,933,097</b></u>	<u><b>\$ 19,107,463</b></u>	<u><b>\$ 19,154,135</b></u>	<u><b>\$ 19,468,901</b></u>	<u><b>\$ 19,498,899</b></u>	<u><b>\$ 19,017,902</b></u>

Source: Comprehensive Annual Financial Reports for City of Alcoa, Tennessee.

**CITY OF ALCOA, TENNESSEE**  
**FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - Electric Fund**  
For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Operating Revenues:</b>						
Residential	\$ 38,352,043	\$ 35,888,794	\$ 37,089,208	\$ 38,160,702	\$ 38,470,039	\$ 37,370,698
Small lighting and power sales	5,559,605	5,766,500	5,850,584	6,110,830	6,144,805	5,603,705
Large lighting and power sales	16,586,668	17,243,546	16,525,841	16,555,636	17,091,487	17,199,018
Street and outdoor	975,038	1,035,164	1,085,354	1,083,511	1,153,353	1,118,855
Consumer forfeitures and discounts	439,295	420,582	425,046	451,428	436,879	406,977
Rent from electric property	515,378	538,810	558,546	544,454	525,900	969,062
Miscellaneous service revenue	248,659	232,357	234,782	245,108	250,377	318,103
Other electric revenue	528	51,851	54,797	63,807	59,468	73,718
<b>Total Revenues</b>	<u>\$ 62,677,214</u>	<u>\$ 61,177,604</u>	<u>\$ 61,824,158</u>	<u>\$ 63,215,476</u>	<u>\$ 64,132,308</u>	<u>\$ 63,060,136</u>
Purchased Power	\$ 49,832,583	\$ 47,257,423	\$ 48,108,297	\$ 49,618,161	\$ 51,078,680	\$ 48,603,739
<b>Operating Expenses:</b>						
Distribution expenses	\$ 1,199,588	\$ 1,299,299	\$ 1,440,403	\$ 1,462,995	\$ 1,389,892	\$ 1,451,869
Customer account expenses	1,348,792	1,307,531	1,312,066	1,371,308	1,732,911	1,498,989
Sales expense	66,893	117,430	104,554	80,908	64,242	80,930
Administrative and general expense	2,472,151	2,709,987	2,717,802	3,051,305	3,072,117	3,189,199
<b>Total Operating Expenses</b>	<u>\$ 5,087,424</u>	<u>\$ 5,434,247</u>	<u>\$ 5,574,825</u>	<u>\$ 5,966,516</u>	<u>\$ 6,259,162</u>	<u>\$ 6,220,987</u>
<b>Maintenance Expenses:</b>						
Distribution expenses	\$ 1,853,469	\$ 2,076,232	\$ 2,543,545	\$ 2,571,464	\$ 2,318,078	\$ 2,520,507
Administrative and general expense	25,292	18,680	44,770	27,593	28,090	82,310
<b>Total Maintenance Expenses</b>	<u>\$ 1,878,761</u>	<u>\$ 2,094,912</u>	<u>\$ 2,588,315</u>	<u>\$ 2,599,057</u>	<u>\$ 2,346,168</u>	<u>\$ 2,602,817</u>
<b>Other Operating Expenses:</b>						
Depreciation expenses	\$ 2,304,265	\$ 2,370,321	\$ 2,411,498	\$ 2,422,746	\$ 2,463,035	\$ 2,723,872
Taxes and tax equivalents	-	-	-	-	-	-
<b>Total Maintenance Expenses</b>	<u>\$ 2,304,265</u>	<u>\$ 2,370,321</u>	<u>\$ 2,411,498</u>	<u>\$ 2,422,746</u>	<u>\$ 2,463,035</u>	<u>\$ 2,723,872</u>
Operating Income	\$ 3,574,181	\$ 4,020,701	\$ 3,141,223	\$ 2,608,996	\$ 1,985,263	\$ 2,908,721
Interest Income	\$ 18,046	\$ 20,185	\$ 20,320	\$ 22,752	\$ 5,240	\$ 5,745
<b>Interest Expense:</b>						
Interest on long term debt	\$ (405,000)	\$ (240,000)	\$ (462,500)	\$ (378,333)	\$ (340,000)	\$ (169,167)
Amortization of debt expense	(26,387)	(26,387)	(26,387)	(26,387)	(26,387)	(26,387)
<b>Total Interest Expense</b>	<u>\$ (431,387)</u>	<u>\$ (266,387)</u>	<u>\$ (488,887)</u>	<u>\$ (404,720)</u>	<u>\$ (366,387)</u>	<u>\$ (195,554)</u>
<b>Other Income (Expense):</b>						
Revenue from contract work	\$ 406	\$ 696	\$ 1,357	\$ 473	\$ -	\$ -
Expense from contract work	-	-	-	-	-	-
Other income expense	1,646	1,833	13,798	(53,470)	2,559	2,427
<b>Total Other Income</b>	<u>\$ 2,052</u>	<u>\$ 2,529</u>	<u>\$ 15,155</u>	<u>\$ (52,997)</u>	<u>\$ 2,559</u>	<u>\$ 2,427</u>
Net Income before transfers	\$ 3,162,892	\$ 3,777,028	\$ 2,687,811	\$ 2,174,031	\$ 1,626,675	\$ 2,721,339
Transfers - In Lieu of Taxes	\$ (1,176,436)	\$ (1,221,501)	\$ (1,254,657)	\$ (1,286,883)	\$ (1,328,324)	\$ (1,489,495)
Extraordinary Item	-	-	-	-	-	-
Changes in Net Assets	<u>\$ 1,986,456</u>	<u>\$ 2,555,527</u>	<u>\$ 1,433,154</u>	<u>\$ 887,148</u>	<u>\$ 298,351</u>	<u>\$ 1,231,844</u>
Net Assets - July 1	<u>\$ 29,660,007</u>	<u>\$ 31,646,463</u>	<u>\$ 34,201,990</u>	<u>\$ 35,635,144</u>	<u>\$ 36,522,292</u>	<u>\$ 36,274,464</u>
<b>Prior Year Adjustments</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (546,179)</u>	<u>\$ -</u>
<b>Net Assets - June 30</b>	<u><u>\$ 31,646,463</u></u>	<u><u>\$ 34,201,990</u></u>	<u><u>\$ 35,635,144</u></u>	<u><u>\$ 36,522,292</u></u>	<u><u>\$ 36,274,464</u></u>	<u><u>\$ 37,506,308</u></u>

Source: Comprehensive Annual Financial Reports for City of Alcoa, Tennessee.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater than two years without written permission of the State Director of Local Finance.

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

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

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

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

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

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

- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

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

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

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

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

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

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

## *Assessment of Property*

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 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 on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

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

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

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

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

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

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

municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

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

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

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

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

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

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*Assessed Valuations.* According to the Tax Aggregate, property in the County and City reflected a ratio of appraised value to true market value of 1.00.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 12,660,755	55%	\$ 29,005,166
Commercial and Industrial	255,847,960	40%	639,619,900
Personal Tangible	118,520,453	30%	395,068,075
Residential and Farm	<u>119,580,225</u>	25%	<u>478,320,900</u>
<b>Total</b>	<b><u>\$506,609,393</u></b>		<b><u>\$1,542,014,041</u></b>

The estimated assessed value of property in the City for the fiscal year ending June 30, 2016 (tax year 2015) is \$506,609,393 compared to \$460,441,256 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is \$1,542,014,041 compared to \$1,428,883,610 for tax year 2014.

*Source:* 2015 Tax Aggregate Report for Tennessee and the City.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the City for tax years 2012 through 2016 as well as the aggregate uncollected balances for each fiscal year ending June 30.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year (a)</b>	<b>Assessed Valuation</b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>as of June 30, 2016</b>	
						<b>Amount</b>	<b>Pct</b>
2012	\$468,248,448	\$1.96	\$ 9,172,794	\$8,759,559	95.5%	\$ 25,347	0.3%
2013	463,051,825	1.96	8,951,791	8,540,278	95.4%	24,094	0.3%
2014	460,441,256	1.96	9,681,393	8,241,080	85.1%	61,130	1.0%
2015	506,609,393	1.96	10,014,628	8,828,591	88.2%	318,554	3.2%
2016	519,396,375*	1.96	10,180,167*	<b>IN PROGRESS</b>			

(a) The tax year coincides with the calendar year, so tax year 2016, for example is actually fiscal year 2016-2017.

\* Estimated

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*Largest Taxpayers.* For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>% of Total Assessment</u>
1. Aluminum Co. of America	Aluminum Ingot	\$121,131,743	23.9%
2. CMH Management LP	MFG & Mortgage Banker	18,867,315	3.7%
3. MIDEB Nominees	Real Estate	10,619,080	2.1%
4. Inland Diversified Alcoa	Real Estate	9,465,400	1.9%
5. Faulkner Properties	Real Estate	9,272,120	1.8%
6. Stock Creek, LLC	Real Estate	7,910,680	1.6%
7. Ridge at Hamilton Crossing	Apartments	7,206,360	1.4%
8. Coleman-Prospero Industrial	Manufacturer	4,359,480	0.9%
9. Rehold Alcoa LLC	Manufacturer	2,748,760	0.5%
10. ALCOA TN LLC	Aluminum Ingot	<u>2,722,000</u>	<u>0.5%</u>
<b>Total</b>		<b><u>\$194,302,938</u></b>	<b><u>38.4%</u></b>

Source: 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"), the 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 a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General	\$6,249,648	\$5,764,787	\$6,964,984	\$7,269,999	\$7,726,630	\$10,101,060
General Purpose						
School Fund	<u>1,464,124</u>	<u>1,644,348</u>	<u>1,733,137</u>	<u>1,806,846</u>	<u>2,003,590</u>	<u>2,460,000</u>
<b>TOTAL</b>	<b><u>\$7,713,772</u></b>	<b><u>\$7,409,135</u></b>	<b><u>\$8,698,121</u></b>	<b><u>\$9,076,845</u></b>	<b><u>\$9,730,220</u></b>	<b><u>\$12,561,060</u></b>

\*Includes the 1/2 percent increase that went into effect FY2013 and now is County wide.

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 Commissioners of the City has not pledged any local option sales tax proceeds to bonded indebtedness of the City.

## **PENSION PLANS**

The City has a retirement plan known as the City of Alcoa Employee's Retirement Plan. The Plan was established January 1, 1955. All full-time employees employed at least 30 hours per week, except school personnel who are eligible for membership in the Tennessee Teachers' Retirement System are members of the Plan. The Plan is managed by a Board of Trustees with the First Tennessee Bank, Maryville, Tennessee being agent for the Trustees. The City has no beneficial interest in the trust fund and no funds are ever to revert to the City.

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

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

For additional information on 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 attached herein.

## **UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded liability is not required. For more information, see the Notes to the General Purpose Financial Statements located herein.